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Report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Addendum

Programme budget 2002-2003

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Chapter I

Introduction to the 2002-2003 biennium budget

Overview

1.1 The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system. The Agency's mandate has been renewed repeatedly, most recently by the General Assembly in its resolution 53/46 of 3 December 1998, when it was extended until June 2002.

1.2 UNRWA reports directly to the General Assembly. Overall review of UNRWA programmes and activities is undertaken by the 10 member Advisory Commission, which includes representatives of the Agency's major donors and host Governments. The Advisory Commission maintains a working relationship with all host Governments and with the Palestine Liberation Organization.

1.3 UNRWA has continuously adapted its role and services in keeping with the needs of the refugees and the changing environment in which it operates. In its long history in the area, the Agency has demonstrated a capacity to adapt and enhance its programmes as required to cope with developments in the region, and it stands ready to continue to do so in accordance with the mandate it receives from the General Assembly.

1.4 A number of scenarios for the work of UNRWA have arisen owing to the current situation in the Middle East. Should unrest continue, security issues, deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and individuals will affect the work of UNRWA. Should the peace talks resume and lead to a settlement, the Agency may be asked to assume new tasks.

Strategic goals

1.5 The Agency's goal is to promote the well-being of the Palestine refugees and strengthen the self-reliance of the refugee community. The long-term viability of its programmes and sustainability are key themes of its activities. Where feasible and desirable, UNRWA will continue to incorporate cost-sharing and self-support measures into its regular programmes to ensure the efficient use of resources and to support participation by the beneficiary population in the provision of Agency services.

1.6 The overall strategy of UNRWA for the biennium 2002-2003 is to continue to provide basic education, health, and relief and social services to more than 4 million registered Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic and in the West Bank and the Gaza Strip. It will also continue to support the microfinance and microenterprise programme in the Gaza Strip and West Bank and will aim to expand this programme to other fields.

1.7 The ability of the Agency to provide its services is entirely dependent on sufficient voluntary contributions being made available annually. The budget therefore aims to overcome the funding shortfalls of recent years. While shortfalls

have been a feature of the financial situation of UNRWA since 1950, since 1993 the gap between budgeted and actual expenditure has reached as much as $50 to $70 million per year. This gap has undermined the usefulness of the budget as an indicator of future expenditure and the Agency's financial requirements. The 2002-2003 budget has been formulated on the basis of a more comprehensive view of funding, actual utilization in previous years and realistic assessment of needs.

1.8 The budget reflects the financial requirements which will allow UNRWA to operate on a sustainable and cost-effective basis, without recourse to austerity or other ad hoc cost reduction measures, and to safeguard the quality and level of services provided for Palestine refugees. The last few years have witnessed growing concern among the refugee community and in the region generally over the decline in UNRWA services. The Agency believes that the current minimal level of service provision must be maintained, with future efforts focused on improvements in quality and efficiency.

Budget format

1.9 The 2002-2003 budget provides the Agency with a renewed opportunity to document the way in which it intends to allocate its resources for the biennium in order to achieve the programme, operational and management objectives it has set for itself. UNRWA has taken this opportunity to build on the progressive features of its last biennium budget. The Agency has integrated the programmatic aspects of the budget with the resource narrative by employing a consistent results-based budgeting approach linking clearly defined programme activities to programme objectives and expected results, with assessment of the latter provided for by key performance indicators. This approach reinforces the usefulness of the budget as a planning, managerial and fund-raising tool, while at the same time maintaining the Agency's financial transparency and integrity. Salient features of the budget include:

(a) The budget hinges on a biennial programme of work, which specifies objectives, planned activities, expected results and key performance indicators for all Agency activities;

(b) The budget covers the Agency's total financial requirements for regular programme activities, including both the regular budget (with its in-kind component) and the project budget;

(c) Coherent programme descriptions and justification for budgeted activities have been provided, and the Agency's Operational and Technical Services, which were last year combined in one department, and its Common Services offices, have for the first time been rendered in substantial detail;

(d) Biennial figures are provided for the 2002-2003 biennium together with comparative figures for prior bienniums, to facilitate comparisons, and where appropriate, to offer baseline data against which to discern programme and budget trends;

(e) Although UNRWA prepares its budget on a biennial basis, operations are financed on an annual basis. Because the fiscal year rather than the biennium is the most relevant for financial management and fundraising, annual as well as biennial figures are listed throughout the document;

(f) As was the case for the 2000-2001 biennium, budget preparation has been guided by planning and budgeting assumptions.

Table I.1
Summary of 2002-2003 total budget volume
(in thousands of United States dollars)

	2002 fiscal year					*2003 fiscal year*					*2002-2003 biennium*				
	Regular budget			*Project budget*	*Total*	*Regular budget*			*Project budget*	*Total*	*Regular budget*			*Project budget*	*Total*
	Cash	*In-kind*	*Total*			*Cash*	*In-kind*	*Total*			*Cash*	*In-kind*	*Total*		
Education	171 556	699	172 255	25 626	197 881	178 362	704	179 066	27 672	206 738	349 918	1 403	351 321	53 298	404 619
Health	53 195	5 716	58 911	11 007	69 918	54 805	5 857	60 662	15 590	76 252	108 000	11 573	119 573	26 597	146 170
Relief and social services	18 119	15 511	33 630	13 196	46 826	18 539	16 369	34 908	13 267	48 175	36 658	31 880	68 538	26 463	95 001
Microfinance and microenterprise programme[a]	0	0	0	4 855	4 855	0	0	0	4 690	4 690	0	0	0	9 545	9 545
Operational technical services	19 782	34	19 816	150	19 966	19 585	34	19 619	150	19 769	39 367	68	39 435	300	39 735
Common services (excl. reserves)	28 606	0	28 606	706	29 312	28 297	0	28 297	0	28 297	56 903	0	56 903	706	57 609
General reserves	13 000	0	13 000	0	13 000	18 000	0	18 000	0	18 000	31 000	0	31 000	0	31 000
Residual effect of current emergency	4 531	0	4 531	0	4 531	3 528	0	3 528	0	3 528	8 059	0	8 059	0	8 059
Total	**308 789**	**21 960**	**330 749**	**55 540**	**386 289**	**321 116**	**22 964**	**344 080**	**61 369**	**405 449**	**629 905**	**44 924**	**674 829**	**116 909**	**791 738**

[a] Includes $2.5 million each year funded from the programme's income.

Budget structure

1.10 The structure of the UNRWA budget reflects both the recurrent/non-recurrent nature of activities and the means by which they are funded. The budget document indicates how the Agency expects to fund the budget from the different income sources on which it relies. The budget is broadly divided into two parts:

(a) The **regular budget** comprises recurrent staff and non-staff costs. It is further divided into cash and in-kind portions. The cash budget is funded through unearmarked cash contributions recorded as income to the General Fund (GF). The in-kind budget represents the value of in-kind donations that the Agency expects to receive based on agreements with donors or past practice (e.g. food aid);

(b) The **project budget** comprises mainly non-recurrent costs funded by earmarked project contributions. Activities are implemented only if they are specifically funded by donors. Most of the Agency's capital costs are included here, as are certain other one-time activities and essential expenditure that cannot be met by regular budget allocations.

1.11 The regular budget and the project budget together comprise the total budget volume for 2002-2003. The budget text clarifies which programme activities fall under the General Fund, and which fall under the budget's project component. As illustrated in chapter VIII, activities supported through the project budget have grown in value in recent years (currently about 15 per cent of the UNRWA budget), reflecting the Agency's ability to augment its services to needy communities by attracting special interest international humanitarian and development funding.

Table I.2

2002-2003 regular budget by programme and field

(cash and in-kind, in thousands of United States dollars)

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			WEST BANK			GAZA STRIP			HEADQUARTERS			TOTAL		
	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003
EDUCATION PROGRAMME																					
General Education																					
Elementary Education	27 084	27 557	54 641	12 533	12 742	25 275	6 024	6 240	12 264	13 416	14 100	27 516	32 852	34 477	67 329	25	25	50	91 934	95 141	187 075
Preparatory Education	17 735	17 991	35 726	7 212	8 091	15 303	4 292	4 362	8 654	7 090	7 587	14 677	20 615	21 975	42 590	12	11	23	56 956	60 017	116 973
Secondary Education (Lebanon)	0	0	0	1 568	1 794	3 362	0	0	0	0	0	0	0	0	0	0	0	0	1 568	1 794	3 362
Sub-Total General Education	**44 819**	**45 548**	**90 367**	**21 313**	**22 627**	**43 940**	**10 316**	**10 602**	**20 918**	**20 506**	**21 687**	**42 193**	**53 467**	**56 452**	**109 919**	**37**	**36**	**73**	**150 458**	**156 952**	**307 410**
Vocational & Technical Education	**3 076**	**3 132**	**6 208**	**2 085**	**2 138**	**4 223**	**1 263**	**1 265**	**2 528**	**5 017**	**5 012**	**10 029**	**2 122**	**2 168**	**4 290**	**0**	**0**	**0**	**13 563**	**13 715**	**27 278**
Pre-Service Teacher Education	**342**	**341**	**683**	**119**	**122**	**241**	**0**	**0**	**0**	**636**	**639**	**1 275**	**0**	**0**	**0**	**0**	**0**	**0**	**1 097**	**1 102**	**2 199**
Education Planning & Management																					
In-Service Teacher Education	143	141	284	448	460	908	121	105	226	73	74	147	122	124	246	0	0	0	907	904	1 811
Placement & Career Guidance	0	0	0	1	1	2	0	0	0	20	20	40	14	15	29	39	40	79	74	76	150
Programme Management	1107	1122	2 229	412	424	836	722	736	1 458	711	744	1 455	1352	1412	2 764	1852	1879	3 731	6 156	6 317	12 473
Sub-Total Education Planning & Manag.	**1 250**	**1 263**	**2 513**	**861**	**885**	**1 746**	**843**	**841**	**1 684**	**804**	**838**	**1 642**	**1 488**	**1 551**	**3 039**	**1 891**	**1 919**	**3 810**	**7 137**	**7 297**	**14 434**
TOTAL EDUCATION PROGRAMME	49 487	50 284	99 771	24 378	25 772	50 150	12 422	12 708	25 130	26 963	28 176	55 139	57 077	60 171	117 248	1 928	1 955	3 883	172 255	179 066	351 321
HEALTH PROGRAMME																					
Medical Care Services																					
Laboratory Services	400	418	818	307	312	619	351	356	707	403	409	812	493	546	1 039	0	0	0	1 954	2 041	3 995
Outpatient Services	4 736	5 059	9 795	3 298	3 419	6 717	3 203	3 285	6 488	3 347	3 486	6 833	5 861	6 124	11 985	0	0	0	20 445	21 373	41 818
Maternal & Child Health	421	434	855	280	287	567	154	162	316	389	397	786	1 198	1 238	2 436	0	0	0	2 442	2 518	4 960
Disease Prevention & Control	681	743	1 424	944	969	1 913	356	396	752	623	668	1 291	1 670	1 756	3 426	0	0	0	4 274	4 532	8 806
Physical Rehabilitation	90	90	180	37	37	74	74	74	148	245	247	492	212	236	448	0	0	0	658	684	1 342
Oral Health	513	538	1 051	434	444	878	308	313	621	340	358	698	372	380	752	0	0	0	1 967	2 033	4 000
School Health	103	105	208	0	0	0	22	23	45	70	71	141	239	244	483	0	0	0	434	443	877
Hospital Services	590	590	1 180	3 325	3 325	6 650	745	747	1 492	3 977	4 000	7 977	1 390	1 400	2 790	0	0	0	10 027	10 062	20 089
Sub-Total Medical Care Services	**7 534**	**7 977**	**15 511**	**8 625**	**8 793**	**17 418**	**5 213**	**5 356**	**10 569**	**9 394**	**9 636**	**19 030**	**11 435**	**11 924**	**23 359**	**0**	**0**	**0**	**42 201**	**43 686**	**85 887**
Environmental Health																					
Sewerage & Drainage	21	21	42	29	29	58	4	4	8	66	66	132	4	4	8	0	0	0	124	124	248
Solid Waste Management	1 738	1 766	3 505	1 762	1 809	3 571	431	442	873	1 507	1 531	3 038	2 700	2 772	5 472	0	0	0	8 139	8 320	16 459
Water Supply	3	3	6	186	187	373	12	12	24	165	167	332	269	240	509	0	0	0	635	609	1 244
Special Environmental Health Programme	0	0	0	0	0	0	0	0	0	0	0	0	477	452	929	0	0	0	477	452	929
Sub-Total Environmental Health	**1 763**	**1 790**	**3 553**	**1 977**	**2 025**	**4 002**	**447**	**458**	**905**	**1 738**	**1 764**	**3 502**	**3 450**	**3 468**	**6 918**	**0**	**0**	**0**	**9 375**	**9 505**	**18 880**
Supplementary Feeding	**1 364**	**1 392**	**2 756**	**318**	**325**	**643**	**545**	**556**	**1 101**	**684**	**698**	**1 382**	**1 409**	**1 436**	**2 845**	**0**	**0**	**0**	**4 320**	**4 407**	**8 727**
Programme Management	**365**	**371**	**736**	**543**	**557**	**1 100**	**428**	**435**	**863**	**594**	**606**	**1 200**	**470**	**477**	**947**	**615**	**618**	**1 233**	**3 015**	**3 064**	**6 079**
TOTAL HEALTH PROGRAMME	11 026	11 530	22 556	11 463	11 700	23 163	6 633	6 805	13 438	12 410	12 704	25 114	16 764	17 305	34 069	615	618	1 233	58 911	60 662	119 573
RELIEF & SOCIAL SERVICES PROGRAMME																					
Relief Services																					
Special Hardship Assistance	5 296	5 511	10 807	5 475	5 733	11 208	3 225	3 361	6 586	3 871	4 034	7 905	10 309	10 764	21 073	20	19	39	28 196	29 422	57 618
Eligibility & Registration	254	249	503	214	225	439	154	154	308	235	243	478	370	376	746	0	0	0	1 227	1 247	2 474
Sub-Total Relief Services	**5 550**	**5 760**	**11 310**	**5 689**	**5 958**	**11 647**	**3 379**	**3 515**	**6 894**	**4 106**	**4 277**	**8 383**	**10 679**	**11 140**	**21 819**	**20**	**19**	**39**	**29 423**	**30 669**	**60 092**
Social Services																					
Organizational Development of CBOs	60	62	122	61	62	123	55	57	112	146	146	292	195	197	392	0	0	0	517	524	1 041
Women-in-Development	146	146	292	107	109	216	41	37	78	225	221	446	62	62	124	0	0	0	581	575	1 156
Disability Programme	87	87	174	153	153	306	20	20	40	153	155	308	487	483	970	0	0	0	900	898	1 798
Youth Activities	0	0	0	8	16	24	0	0	0	68	69	137	64	64	128	0	0	0	140	149	289
Poverty Alleviation	230	230	460	184	186	370	48	48	96	110	111	221	60	60	120	0	0	0	632	635	1 267
Sub-Total Social Services	**523**	**525**	**1 048**	**513**	**526**	**1 039**	**164**	**162**	**326**	**702**	**702**	**1 404**	**868**	**866**	**1 734**	**0**	**0**	**0**	**2 770**	**2 781**	**5 551**
Programme Management	**122**	**125**	**247**	**201**	**204**	**405**	**61**	**63**	**124**	**174**	**177**	**351**	**201**	**205**	**406**	**678**	**684**	**1 362**	**1 437**	**1 458**	**2 895**
TOTAL RELIEF & SOCIAL SERVICES	6 195	6 410	12 605	6 403	6 688	13 091	3 604	3 740	7 344	4 982	5 156	10 138	11 748	12 211	23 959	698	703	1 401	33 630	34 908	68 538

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			West Bank			GAZA STRIP			HEADQUARTERS			TOTAL		
	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003	2002	2003	2002-2003
OPERATIONAL & TECHNICAL SERVICES																					
Procurement and Logistics Services	1 446	1 488	2 934	2 110	2 169	4 279	1 326	1 345	2 671	2 134	2 206	4 340	2 927	3 005	5 932	3 569	3 467	7 036	13 512	13 680	27 192
Engineering and Construction Services	424	482	906	427	423	850	310	305	615	374	390	764	1 143	1 147	2 290	508	453	961	3 186	3 200	6 386
Information Systems	104	119	223	103	121	224	99	66	165	116	101	216	149	112	261	2 297	1 975	4 272	2 867	2 494	5 361
Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	251	245	496	251	245	496
TOTAL OPERATIONAL SERVICES	1 974	2 089	4 063	2 640	2 713	5 353	1 735	1 716	3 451	2 623	2 697	5 320	4 219	4 264	8 483	6 625	6 140	12 765	19 816	19 619	39 435
COMMON SERVICES																					
Office of the Commissioner-General	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 163	1 167	2 330	1 163	1 167	2 330
Legal Services	23	23	46	80	82	162	8	8	16	16	12	28	0	0	0	1 150	1 147	2 297	1 277	1 272	2 549
Audit and Inspection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	941	936	1 877	941	936	1 877
External Relations	0	0	0	0	0	0	0	0	0	105	105	210	0	0	0	1 011	1 015	2 026	1 116	1 120	2 236
Public Information	20	21	41	55	57	112	26	20	46	47	48	95	70	71	141	555	564	1 119	773	781	1 554
Policy Analysis	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	657	660	1 317	657	660	1 317
New York Liaison Office	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	313	323	636	313	323	636
Administration and Human Resources	2 010	2 013	4 023	2 671	2 633	5 304	1 444	1 474	2 918	3 276	3 261	6 537	3 619	3 660	7 279	4 862	4 543	9 405	17 882	17 584	35 466
Financial Services	361	365	726	462	468	930	341	342	683	389	391	780	403	398	801	2 528	2 490	5 018	4 484	4 454	8 938
General Reserves																					
Working Capital Build-Up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7 000	7 000	14 000	7 000	7 000	14 000
Contingency Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6 000	11 000	17 000	6 000	11 000	17 000
Sub-Total Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13 000	18 000	31 000	13 000	18 000	31 000
TOTAL COMMON SERVICES	2 414	2 422	4 836	3 268	3 240	6 508	1 819	1 844	3 663	3 833	3 817	7 650	4 092	4 129	8 221	26 180	30 845	57 025	41 606	46 297	87 903
Residual Effect of Current Emergency										2 374	2 142	4 516	2 156	1 387	3 543				4 530	3 529	8 059
GRAND TOTAL REGULAR BUDGET	71 096	72 735	143 831	48 152	50 113	98 265	26 213	26 813	53 026	53 185	54 692	107 877	96 056	99 467	195 523	36 046	40 261	76 307	330 748	344 081	674 829

Table I.3
Agency-wide expenditures by category
(cash and in-kind, in thousands of United States dollars)

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*
Staff	International staff	26 071	26 536	29 462
	Local staff	387 344	413 663	440 292
	Subtotal	**413 415**	**440 199**	**469 754**
Services	Travel	1 452	2 354	2 250
	Communication	1 962	1 873	2 477
	Transport services	2 087	3 097	2 711
	Training	329	857	1 979
	Miscellaneous services	10 398	6 877	6 877
	Consultancy services	747	1 107	1 203
	Hospital services	12 110	11 628	16 469
	Subtotal	**29 085**	**27 793**	**33 966**
Supplies	Medical supplies	12 396	15 261	19 309
	Transportation supplies	1 290	2 034	2 731
	Clothing supplies	385	590	589
	Textbooks and library books	4 770	8 321	11 112
	Sport supplies	124	252	256
	Fresh food	1 106	1 292	1 275
	Miscellaneous supplies	5 347	6 566	6 923
	Teaching supplies	264	491	484
	Basic commodities	30 911	36 919	40 853
	Subtotal	**56 593**	**71 726**	**83 532**
Equipment and construction	Computer hard/software	1 345	1 509	2 084
	Equipment and furniture	2 624	2 048	3 319
	Transport equipment	1 120	1 304	2 978
	Construction	2 310	451	690
	Subtotal	**7 399**	**5 312**	**9 071**
Premises	Rental of premises	2 536	2 729	2 655
	Utilities	3 291	3 490	3 775
	Maintenance	0	7 219	7 821
	Subtotal	**5 827**	**13 438**	**14 251**

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*
Subsidies	Construction subsidies	1 423	1 061	964
	Other subsidies	19 291	22 010	23 057
	Subtotal	**20 714**	**23 071**	**24 021**
Reserves	Operational reserve	0	1 744	1 175
	Subtotal	**0**	**1 744**	**1 175**
Total		**533 033**	**583 283**	**635 770**
Other	Reserves		28 000	31 000
	Residual effect of current emergency			8 059
	Subtotal		**28 000**	**39 059**
Total regular budget		**533 033**	**611 283**	**674 829**
Total project budget		**56 790**	**124 374**	**116 909**

Negative growth

Table I.4
Significant indicators relating to resource requirements

Indicator	*1994-1995 actual*	*1996-1997 actual*	*1998-1999 actual*	*2000-2001 estimated*	*2002-2003 estimated*	*Percentage growth 2002-2003 over 2000-2001*
Area staff posts	21 168	21 553	22 212	23 300	24 730	6.1
Pupils	421 854	447 268	458 716	477 216	526 999	10.4
Teacher posts	11 810	12 952	13 667	14 633	15 679	7.1
Patient visits	6 474 834	7 198 288	7 163 056	7 240 000	7 710 000	6.5
Special hardship cases	171 950	176 739	191 529	208 850	223 725	7.1
Registered refugees	3 246 044	3 469 109	3 625 592	3 939 267	4 219 841	7.1
Average biennial growth						**7.0**

Note: Annual average growth rate for 2002-2003 over 2000-2001 is estimated at 3.5 per cent.

1.12 Table I.4 indicates an annual growth of 3.5 per cent in the UNRWA clientele population driving the growth of the Agency's staff and its financial requirements. At the same time, the annual weighted average rate of inflation in the Agency's area of operations is calculated at 4 per cent. The combined effect of these two factors warrants a budget growth of 7.5 per cent annually.

1.13 Table I.5 shows that the budget estimates for the biennium 2002-2003 reflect an overall nominal growth of 9.0 per cent (that is 4.5 per cent per annum) over the

2000-2001 budget appropriations. Therefore, in real terms, this budget has a negative growth of 3.0 per cent per annum (7.5 per cent-4.5 per cent).

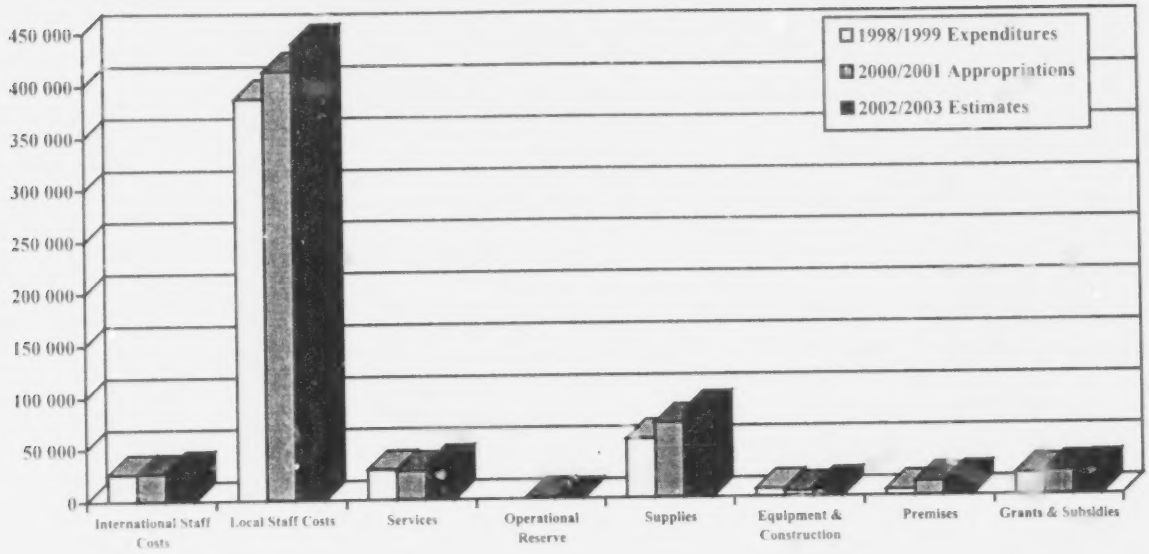
1.14 Hence, the proposed budget for the biennium 2002-2003 reflects at best the bare minimum funding requirements to sustain essential services at the current level and to cater for additional funding requirements. These additional funding requirements result from the integration of new programmes introduced by the host authorities, such as English and information technology courses, in the General Education Programme, as well as the integration of regular programme activities that had been projectized such as hospitalization costs, into the General Fund. Because of this negative growth, the Agency will, in reality, be striving to maintain its core programme activities at a lower level of resources than would have been justified under a needs-based budget, were the Agency able to expect full funding of its actual requirements.

1.15 The 3.0 per cent negative real budgetary growth, necessitated by the fact that donor support is not commensurate with the actual needs of a growing refugee population, will adversely impact the Agency's clientele. With the 2002-2003 budget, Agency programmes, already struggling to maintain standards in the face of persistent budget deficits, are at risk of a further decline in the education, health, relief, social and income generation services they provide for 4 million registered refugees. Overcrowding in Agency schools, diminishing levels of curative and preventive medical care, a reduction in essential food assistance for the poorest refugee families, and loss of skilled area staff owing to non-competitive salaries, are some of the clear signs that chronic funding shortfalls are undermining the foundation of UNRWA services. A vivid illustration of this is the drop in the Agency's expenditure per refugee, from approximately $200 in the 1970s to $70 today.

Table I.5
Summary of requirements by category of expenditure
(in thousands of United States dollars)

Category	*1998-1999 expenditures*	*2000-2001 appropriations*	*2002-2003 estimates*	*Resource growth*	
				Amount	*Percentage*
International staff costs	26 071	26 536	29 462	2 926	11.0
Local staff costs	387 344	413 663	440 292	26 629	6.4
Services	29 085	27 793	33 966	6 173	22.2
Operational reserves	0	1 744	1 175	-569	-32.6
Supplies	56 593	71 726	83 532	11 806	16.5
Equipment and construction	7 399	5 312	9 071	3 759	70.8
Premises	5 827	13 438	14 251	813	6.1
Grants and subsidies	20 714	23 071	24 021	950	4.1
Subtotal	**533 033**	**583 283**	**635 770**	**52 487**	**9.0**
Working capital requirements	0	14 000	14 000	0	0.0
Salary increase requirements	0	12 000	15 000	3 000	25.0
Contingency reserve	0	2 000	2 000	0	0.0
Residual effect of current emergency	0	0	8 059	8 059	0.0
Total requirements	**533 033**	**611 283**	**674 829**	**63 546**	**10.4**

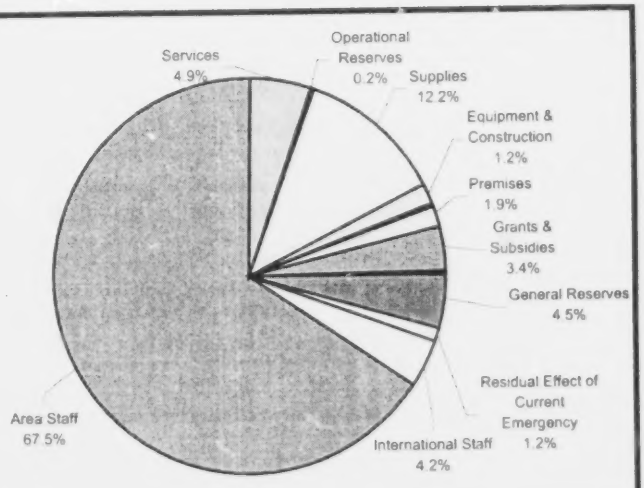
Figure I.1
Summary of requirements by category of expenditure
(in thousands of United States dollars)



Distribution by expenditure type

Figure I.2
2002-2003 regular budget by category
(cash and in-kind, in thousands of United States dollars)

International Staff	29 462
Area Staff	440 292
Services	33 966
Operational Reserves	1 175
Supplies	83 532
Equipment & Construction	9 071
Premises	14 251
Grants & Subsidies	24 021
General Reserves	31 000
Residual Effect of Current Emergency	8 059
Total:	**674 829**



1.16 Figure I.2 shows the 2002-2003 regular budget broken down into categories of expenditure. Staff costs account for 71.7 per cent of the regular budget, of which 67.5 per cent represents the cost of local (area) staff and 4.2 per cent represents the cost of international staff. Supplies account for 12.2 per cent, 51.7 per cent of which are donated to the Agency in kind. All other categories account for less than 5 per cent each. Table I.5 shows the resource growth in each category of expenditure. This is explained below.

1.17 **International staff**: all costs associated with international staff. Resource growth of $2.9 million (11.0 per cent) over 2000-2001 appropriations is attributed to the following reasons:

(a) $1.8 million to cover the cost of seven additional international posts;

(b) $1.1 million due to increase in budget standard costs for the international staffing table.

1.18 **Area staff**: all costs associated with area staff, including hiring of persons on temporary assistance or other contractual basis. The resource growth of $26.6 million (6.4 per cent) over 2000-2001 appropriations is attributable to the following reasons:

(a) $18.3 million for 2,113 additional area staff posts to partially meet natural growth requirements as explained above;

(b) $5.8 million for the annual increment costs;

(c) $2.5 million for other staff allowances.

1.19 **Services**: services bought by the Agency in the course of its operations, including hospital services, port services, customs clearance, hired transport, mail/phone services, travel and staff training. The resource growth of $6.2 million (22.2 per cent) over 2000-2001 appropriations is attributable to the following:

(a) Inclusion in the budget of $1.0 million for staff training;

(b) An increase of $4.9 million in hospitalization services (Lebanon $3.6 million and other fields $1.3 million);

(c) An increase of $300,000 in other services.

1.20 **Operational reserves**: provisions to meet expenditure at the field level which could not have been foreseen at the time of budget preparation. These are considered part of the direct programme costs. The negative resource growth is due to a reduction in accordance with actual utilization in the previous biennium.

1.21 **Supplies**: supplies purchased by the Agency and received in kind, including food ration commodities, medical supplies, textbooks, fuel, spare parts and office supplies. The resource growth of $11.8 million (16.5 per cent) over 2000-2001 allocations is due to the following:

(a) An increase of $4.0 million in basic commodities received in kind due to an increased number of eligible special hardship cases;

(b) An increase of $4.0 million in the cost of medical supplies due to higher prices and an increase in the projected number of patient visits;

(c) An increase of $2.8 million in the cost of textbooks due to the introduction of new curricula by the host authorities;

(d) An increase of $700,000 in transport supplies due to an increase in fuel prices;

(e) An increase of $300,000 in miscellaneous supplies.

1.22 **Equipment and construction**: all equipment, including computer hardware and software, furniture, and vehicles, as well as minor construction works. The resource growth of $3.8 million (70.8 per cent) over 2000-2001 appropriations is attributable to the following:

(a) $1.7 million for new vehicles to catch up with the replacement schedule for vehicles which are overdue for replacement. Out of a total number of 762 vehicles, 109 vehicles need to be replaced immediately;

(b) $600,000 for replacement of old personal computers owing to the introduction of the new finance management system and payroll and human resources systems;

(c) $600,000 for replacement of unserviceable equipment and furniture due to be surveyed during the biennium;

(d) $200,000 for minor construction works, for example, school sheds;

(e) A low level of appropriations in 2000-2001.

1.23 **Premises**: rent, maintenance, electricity and water for premises. The resource growth of $800,000 (6.1 per cent) over 2000-2001 appropriations is due to the following:

(a) An increase of $600,000 for maintenance of premises to avoid further deterioration of buildings;

(b) An increase of $200,000 in the rates for utilities.

1.24 **Grants and subsidies**: direct payments to beneficiaries as part of programme activities, including hospitalization subsidies, support to community centres and food support cash grants. The resource growth in this category of expenditure of just below $1.0 million is due to the increase in the cash subsidy for the increased number of special hardship cases.

1.25 **Other requirements**: Agency-wide reserves not yet attributable to fields or programmes as follows:

(a) $14 million to rebuild the Agency's working capital to a minimum level of one month's cash flow requirements of $28 million over a four-year period, none of which is yet funded;

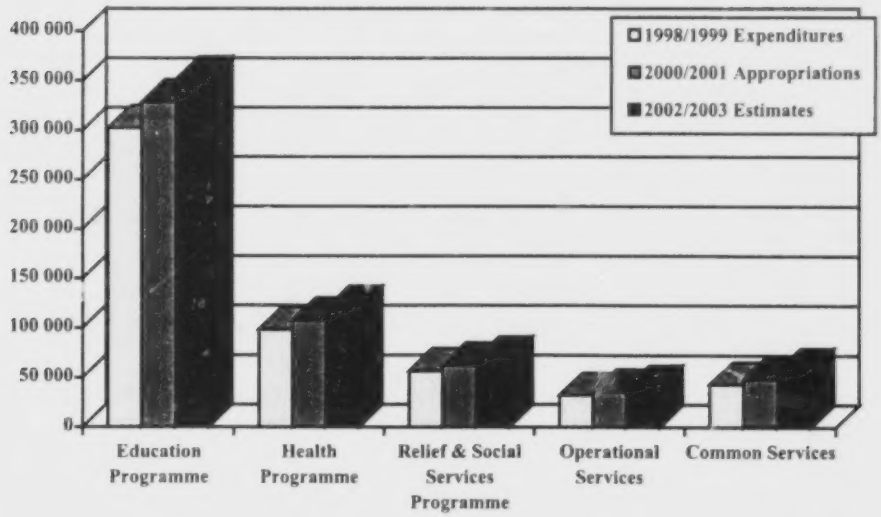
(b) $15 million for a minimum annual salary increase of 2 per cent for the Agency's area staff to partially compensate for the 20 per cent erosion in the value of their nominal salaries since 1996;

(c) $2 million for a contingency reserve to cover unforeseen expenditure during the biennium.

Table I.6
Summary of requirements by programme
(in thousands of United States dollars)

Programme	*1998-1999 expenditures*	*2000-2001 appropriations*	*2002-2003 estimates*	*Resource growth*	
				Amount	*Percentage*
Education programme	302 391	328 371	351 321	22 950	7.0
Health programme	98 552	107 703	119 573	11 870	11.0
Relief and social services programme	56 697	62 442	68 538	6 096	9.8
Operational services	32 070	35 787	39 435	3 648	10.2
Common services	43 323	48 980	56 903	7 923	16.2
Subtotal	**533 033**	**583 283**	**635 770**	**52 487**	**9.0**
Working capital requirements	0	14 000	14 000	0	0.0
Salary increase requirements	0	12 000	15 000	3 000	25.0
Contingency reserve	0	2 000	2 000	0	0.0
Residual effect of current emergency	0	0	8 059	8 059	0.0
Total requirements	**533 033**	**611 283**	**674 829**	**63 546**	**10.4**

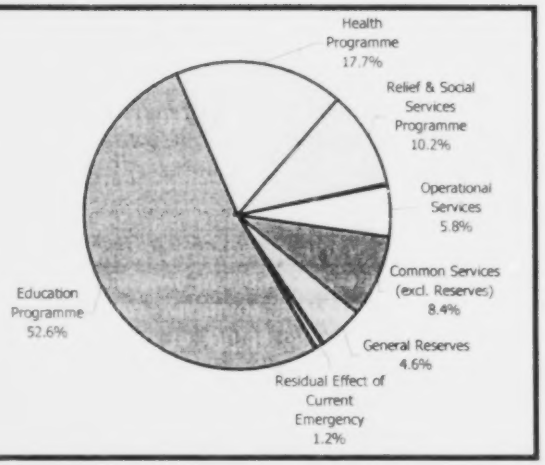
Figure I.3
Summary of requirements by programme
(in thousands of United States dollars)



Distribution by programme

Figure I.4
2002-2003 regular budget by programme
(cash and in-kind, in thousands of United States dollars)

Education Programme	351 321
Health Programme	119 573
Relief & Social Services Programme	68 538
Operational Services	39 435
Common Services (excl. Reserves)	56 903
General Reserves	31 000
Residual Effect of Current Emergency	8 059
Total:	**674 829**


Health Programme 17.7%
Relief & Social Services Programme 10.2%
Operational Services 5.8%
Common Services (excl. Reserves) 8.4%
General Reserves 4.6%
Residual Effect of Current Emergency 1.2%
Education Programme 52.6%

1.26 Figure I.4 shows the 2002-2003 regular budget by programme activity. Direct allocations to the education programme account for 52.6 per cent of the regular budget, followed by the health programme (18.0 per cent) and the relief and social services programme (10.3 per cent). The remaining portion represents support costs and items budgeted centrally, including working capital and area staff salary increase requirements.

1.27 Table I.6 provides information on resource growth in the Agency's programmes for the biennium 2002-2003 over budget appropriations of the biennium 2000-2001. The resource growth shown in the table is summarized below. A detailed explanation is provided in the respective chapters relating to each programme. Reference should also be made to paragraphs 1.17 to 1.25 above.

1.28 **Education programme**: the growth of $22.9 million in the education programme (7.0 per cent) over 2000-2001 appropriations is due to additional teaching staff requirements, additional textbooks and replacement of dilapidated school furniture.

1.29 **Health programme**: the resource growth in the health programme of $11.9 million (11.0 per cent) over 2000-2001 appropriations is attributed to additional health staff requirements, an increase in the hospitalization budget and increased medical supply requirements.

1.30 **Relief and social services programme**: the resource growth in the relief and social services programme of $6.1 million (9.8 per cent) over 2000-2001 appropriations is due to the increase in basic commodities and cash subsidies for special hardship cases, and staff costs in respect of additional social workers.

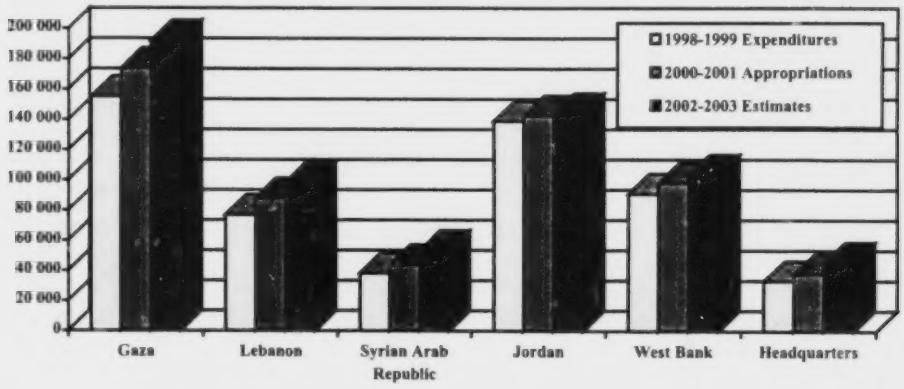
1.31 **Operational and technical services**: the resource growth of $3.6 million in operational and technical services (10.2 per cent) over 2000-2001 appropriations is attributed to the cost of replacing old vehicles, staff costs and the installation of the satellite wide area network.

1.32 **Common services**: the resource growth of $7.9 million in common services (16.2 per cent) over 2000-2001 appropriations is attributed to the additional international and area staff requirements.

Table I.7
Summary of requirements by field
(in thousands of United States dollars)

Field	*1998-1999 expenditures*	*2000-2001 appropriations*	*2002-2003 estimates*	*Resource growth*	
				Amount	*Percentage*
Gaza	155 186	173 872	191 980	18 108	10.4
Lebanon	76 876	87 824	98 265	10 441	11.9
Syrian Arab Republic	38 223	43 660	53 026	9 366	21.5
Jordan	138 804	142 352	143 831	1 479	1.0
West Bank	90 806	97 857	103 361	5 504	5.6
Headquarters	33 138	37 718	45 307	7 589	20.1
Subtotal	**533 033**	**583 283**	**635 770**	**52 487**	**9.0**
Working capital requirements	0	14 000	14 000	0	0.0
Salary increase requirements	0	12 000	15 000	3 000	25.0
Contingency reserve	0	2 000	2 000	0	0.0
Residual effect of current emergency	0	0	8 059	8 059	0.0
Total requirements	**533 033**	**611 283**	**674 829**	**63 546**	**10.4**

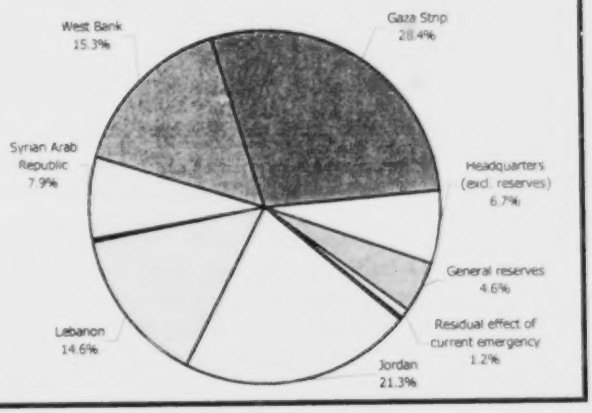
Figure I.5
Summary of requirements by field
(in thousands of United States dollars)



Distribution by field

Figure I.6
2002-2003 regular budget by field
(cash and in-kind, in thousands of United States dollars)

Jordan	143 831
Lebanon	98 265
Syrian Arab Republic	53 026
West Bank	103 361
Gaza Strip	191 980
Headquarters (excl. reserves)	45 307
General reserves	31 000
Residual effect of current emergency	8 059
Total:	**674 829**



1.33 Figure I.6 shows the 2002-2003 regular budget by field of operation. Direct allocations for field operations account for 88.5 per cent of the regular budget. Taking into account the allocation of the requirements for working capital and salary increases to fields in the course of budget implementation, the percentage rises to 93.2 per cent. Headquarters costs represent 6.8 per cent of expenditure. The distribution of expenditure across fields does not reflect any substantive difference in services, but rather variations in the clientele population, United States dollar exchange rates, and costs within the area of operations as well as differing levels of service provision by host authorities.

Residual effect of current emergency situation

1.34 In response to the current crisis in the West Bank and Gaza, UNRWA launched three emergency appeals for a total of $159 million covering emergency activities from October 2000 to December 2001. While emergency needs beyond this period cannot be foreseen at this time, the Agency expects the ongoing crisis to have a significant residual impact on its regular budget (see table I.8 below).

Table I.8
Residual effect of current emergency on regular programmes
(in thousands of United States dollars)

	Gaza		*West Bank*		*Total*		
Programme	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002-2003*
Education	656	0	344	344	1 000	344	1 344
Health	459	544	748	684	1 207	1 228	2 435
Relief	1 041	843	845	874	1 886	1 717	3 603
Other	0	0	437	240	437	240	677
Total	**2 156**	**1 387**	**2 374**	**2 142**	**4 530**	**3 529**	**8 059**

I.35 Indeed, the relief, health and education programmes have already incurred expenditures that stem from the crisis but are not funded by the emergency appeals. For example, the number of special hardship cases has increased in Gaza and the West Bank in line with the rising poverty rate, thereby expanding the clientele eligible for Agency assistance. In addition, increased demand for Agency medical services from patients unable to access private health care owing to movement restrictions, or unable to afford private care owing to loss of income, has driven up hospitalization costs and the Agency's medical supply expenditure. New remedial education programmes for pupils whose schooling has been interrupted by the crisis also place a strain on the Agency's regular budget.

I.36 The Agency has therefore included a separate $8 million line item in the biennium budget to cover the estimated residual costs of emergency activities that will be borne by its regular programmes. These requirements are not a substitute for emergency support. Instead, they represent additional needs in the regular budget resulting from the impact of the emergency situation on the Agency's regular programmes.

Staff costs

Table I.9
International staffing requirements, 2002-2003

Post grade	*Posts funded out of United Nations regular budget*	*Posts funded from UNRWA budget and other sources*
A. Professional and above		
USG	1	0
ASG	1	0
D-2	2	2
D-1	11	1
P-5	17	5
P-4	37	4
P-3	18	1
P-2/P-1	2	3
Subtotal (A)	**89**	**16**
B. General services and others		
Principal level	0	0
Other level	11	1
Subtotal (B)	**11**	**1**
Total (A + B)	**100**	**17**[a]

[a] Includes five posts not covered by the United Nations regular budget, 2 posts funded by project funds, four junior professional officers funded by Governments, three posts funded by the United Nations Educational, Scientific and Cultural Organization, one post funded by the World Health Organization, one post funded by the microfinance and microenterprise programme, and one post funded by the Provident Fund.

I.37 Decreasing financial resources over the last few years has resulted in a reduction in UNRWA international staffing from 138 posts in June 1996 to only 110 posts in June 2001, while the refugee population and their needs have increased significantly. Under any scenario, UNRWA will face an increased workload and a demand for personnel with specialized skills. In addition to the Agency's current responsibilities, it is envisioned that new demands will arise in the areas of: political analysis, legal advice, relief and social services, logistics, administration and human resources, and security.

I.38 Through its resolution 3331 B (XXIX) of 17 December 1974, the General Assembly decided that the expenses relating to the emoluments of international staff in the service of UNRWA, which would otherwise have been charged to voluntary contributions, should be provided for under the regular budget of the United Nations with effect from 1 January 1975 for the duration of the Agency's mandate.

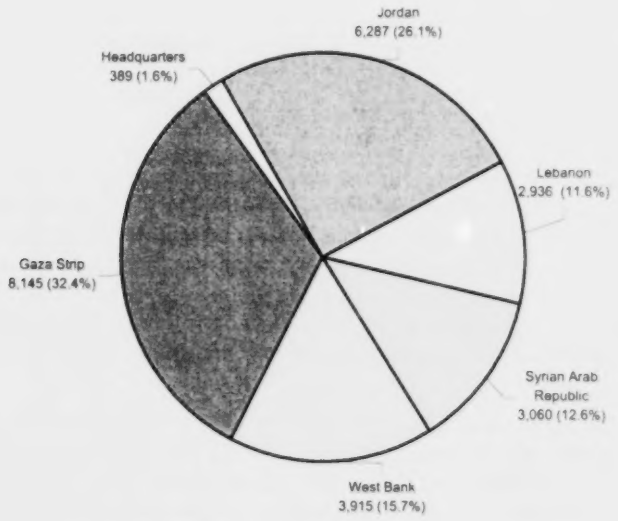
I.39 The precarious financial situation of UNRWA, the increasing workload and the volatile operating environment necessitate a small increase in its international staffing table for the 2002-2003 biennial budget. Seven additional international staff

posts are proposed for the 2002-2003 biennium. Of these, only two have so far been approved for inclusion in the regular budget of the United Nations. The Agency must therefore fund five of these additional international posts from its General Fund, thereby straining the already limited voluntary contributions available to UNRWA.

Table I.10
Estimated number of area staff at end 2003, by programme and field

Programme	*Jordan*	*Lebanon*	*Syrian Arab Republic*	*West Bank*	*Gaza Strip*	*Head-quarters*	*Total*
Education	5 001	1 975	2 242	2 639	6 287	74	18 218
Health	900	524	465	694	1 004	15	3 602
Relief and social services	123	104	94	131	215	15	682
Microfinance and microenterprise	4	1	0	40	110	0	155
Operational services	129	169	150	196	314	104	1 062
Common services	130	163	109	215	214	181	1 012
Total	**6 287**	**2 935**	**3 060**	**3 915**	**8 144**	**389**	**24 730**

Figure I.7
Estimated number of area staff at end 2003, by field



1.40 In 1999, UNRWA introduced new Area Staff Rules to alleviate the acute financial pressures facing the Agency. The salary scale under the new Area Staff Rules are lower than the pre-1999 salary scales by 20 to 40 per cent. Currently, 20 per cent of the Agency's area staff are employed under the 1999 Area Staff Rules.

While from the perspective of cost savings, the 1999 Area Staff Rules have been effective, they have undercut the Agency's capacity to continue attracting and retaining qualified personnel. The introduction of the 1999 Area Staff Rules also created a situation whereby staff in the same function and location do not receive equal pay for equal work (a basic United Nations principle) as a result of the application of two different pay scales.

Project budget

I.41 The project budget represents the Agency's best estimate at the time of budget preparation of its immediate project funding requirements for the 2002-2003 biennium. During the biennium, the Agency will present donors with project proposals corresponding to the project budget.

Table I.11
Project budget by programme
(in thousands of United States dollars)

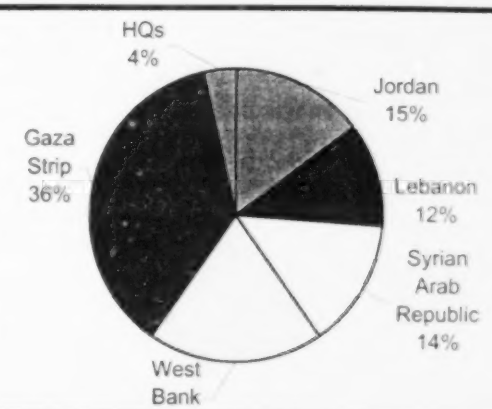
	2002	*2003*	*Total 2002-2003*
Education			
General education	20 842	21 275	42 117
Vocational and technical education	4 639	6 286	10 925
Teacher education	145	15	160
Programme management		96	96
Subtotal	**25 626**	**27 672**	**53 298**
Health			
Medical care services	1 978	1 043	3 021
Environmental health	8 709	14 372	23 081
Nutrition and supplementary feeding	0	0	0
Programme management	320	175	495
Subtotal	**11 007**	**15 590**	**26 597**
Relief and social services			
Relief services	8 740	8 740	17 480
Social services	2 287	2 527	4 814
Programme management	2 169	2 000	4 169
Subtotal	**13 196**	**13 267**	**26 463**
Microfinance and microenterprise prog.[a]	**4 855**	**4 690**	**9 545**
Operational services	**150**	**150**	**300**
Common services	**706**	**0**	**706**
Total project budget	**55 540**	**61 369**	**116 909**

[a] Includes $2.5 million each year funded from the programme's income.

I.42 Table I.11 shows a breakdown of the project budget by programme and figure I.8 shows how this budget is split between the fields. The project budget amounts to $55.5 million for the year 2002 and $61.4 million for the year 2003. These amounts represent 15 per cent of total budget volume for the biennium. With the exception of the microfinance and microenterprise programme, a self-funded project for which recurrent costs amount to $2.5 million annually, the project budget represents unfunded activities.

Figure I.8
2002-2003 project budget by field
(in thousands of United States dollars)

Jordan	17 207
Lebanon	13 495
Syrian Arab Republic	16 404
West Bank	22 750
Gaza Strip	42 753
Headquarters	4 300
Total:	**116 909**



Sources of funding

I.43 UNRWA is funded through a variety of sources. Figures I.9 and I.10 show the expected sources of funding for each year of the Agency's total budget volume for the years 2002 and 2003 respectively, covering both the regular budget and projects.

Figure I.9
Expected funding of 2002 total budget volume
(cash and in-kind, in thousands of United States dollars)

Voluntary Cash Contributions to the GF	292 183
Voluntary Cash Contributions to Projects	53 014
Voluntary In-Kind Contributions	21 284
United Nations Regular Budget	13 317
Other (including PSC and earned interest)	6 491
Total:	**386 289**

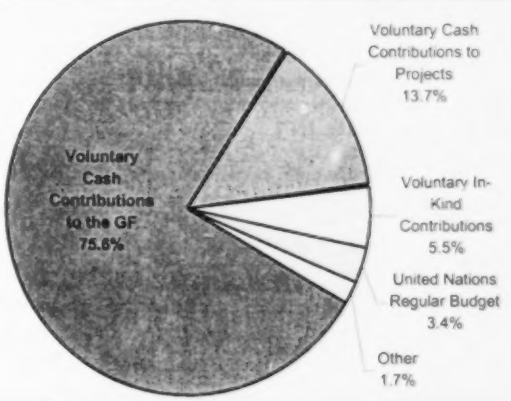
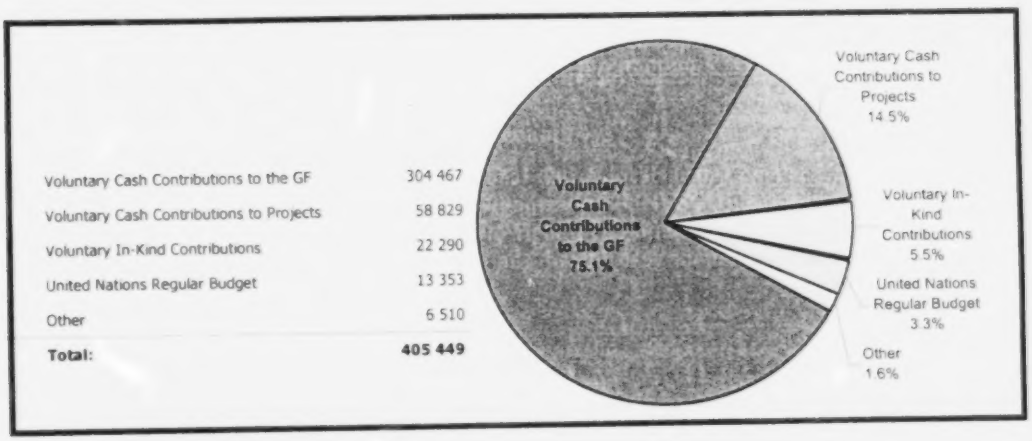


Figure I.10
Expected funding of 2003 total budget volume
(cash and in-kind, in thousands of United States dollars)


Voluntary Cash Contributions to the GF 304 467
Voluntary Cash Contributions to Projects 58 829
Voluntary In-Kind Contributions 22 290
United Nations Regular Budget 13 353
Other 6 510
Total: 405 449
Voluntary Cash Contributions to the GF 75.1%
Voluntary Cash Contributions to Projects 14.5%
Voluntary In-Kind Contributions 5.5%
United Nations Regular Budget 3.3%
Other 1.6%

I.44 As UNRWA does not have a system of assessed contributions, its budget is funded almost entirely by voluntary cash and in-kind contributions from Governments and the European Community. Voluntary contributions are expected to cover about 95.0 per cent of total budget volume for 2002-2003, of which 75.0 per cent are cash contributions to the GF, 14.0 per cent cash contributions to projects, and about 6.0 per cent are in-kind contributions.

I.45 The funding of 100 international posts out of the United Nations regular budget accounts for about 3.5 per cent each year of total budget volume. The remaining 1.5 per cent of expected income is from the following sources:

(a) Programme support costs of $2.0 million annually, charged on project-funded activities. This amount is credited against common services expenditure in the Agency's accounts;

(b) Income of $2.5 million annually for the microfinance and microenterprise programme from its own credit activities covers the programme's recurrent costs, making the programme entirely self-sustaining;

(c) Interest income of $1.0 million per annum;

(d) Funding of nine posts (3 international and 6 local posts) by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and four posts (1 international and 3 local posts) by the World Health Organization (WHO) as part of their technical assistance to the education and health programmes, respectively ($970,000 per annum).

Attribution of common costs

I.46 Traditionally, UNRWA has divided expenditure not directly attributable to programmes into two categories: operational and technical services, and common services. While operational and technical services represent support functions integral to programme implementation on the ground, such as procurement and

logistics services, transport, architecture and engineering, common services represent support functions according to the more common definition, such as administration, human resources, finance, legal and audit.

1.47 Both operational and common services are functions essential to programme activities and the functioning of the Agency as a whole. The distinction between them relates to the operational character of UNRWA activities, which involve significant logistical and infrastructural components. The extent of operational services activities varies with the volume of programme activities.

1.48 Table I.12 shows the allocation of the respective share of these common costs to the Agency's substantive programmes. The allocation of the operational and technical services costs has been based on the volume of the procurement budget of each programme's relative budget weight, and the mileage estimate for the transport services. The allocation of the common services costs is based on the relative budget weight for the substantive programmes.

Table I.12
Attribution of operational and common costs to programmes in the regular budget
(in thousands of United States dollars)

		2002		*2003*
Education		**172 255**		**179 066**
Operational and technical services		10 280		10 014
Common services		20 310		19 091
Adjusted education budget		**202 846**		**290 171**
Health		**58 911**		**60 662**
Operational and technical services		5 607		5 600
Common services		6 007		5 942
Adjusted health budget		**70 525**		**72 204**
Relief and social services		**33 630**		**34 908**
Operational and technical services	3 929		4 005	
Common services	2 288		2 264	
Adjusted relief and social services budget		**39 847**		**41 177**
Operational services		**19 816**		**19 619**
Education		(10 280)		(10 014)
Health		(5 607)		(5 600)
Relief and social services		(3 929)		(4 005)
Adjusted operational and technical services budget		**0**		**0**
Common services		**28 606**		**28 297**
Education		(20 310)		(20 091)
Health		(6 007)		(5 942)
Relief and social services		(2 288)		(2 264)
Adjusted common services budget		**0**		**0**

External factors affecting the operations of UNRWA

1.49 UNRWA operates in a turbulent region buffeted by the Arab-Israeli conflict and its consequences in terms of episodes of violence, waves of mass displacement of population and worsening of the socio-economic situation.

1.50 The imposition of border closures and restrictions on humanitarian access by Israeli authorities in the West Bank and Gaza Strip, where the Agency's operations account for some 45 per cent of the regular budget, and the imposition of charges at Israeli ports for goods destined for the West Bank and Gaza Strip, create additional economic costs for the Agency and hamper its operations.

1.51 The budget of UNRWA, funded entirely by voluntary contributions (cash and in-kind), is subject to uncertainties in the timing and value of funding receipts. This limits the ability of the Agency to plan and implement programme and project activities.

1.52 Although UNRWA expenditure is mostly incurred in United States dollars, 60 per cent of the income is received in non-United States dollar currencies, thus exposing the Agency to the risks of currency fluctuations.

1.53 Changes in the labour market in the region have rendered the Agency no longer competitive in recruiting personnel. About 99.5 per cent of UNRWA staff are area employees, many of whom can now find better opportunities outside UNRWA.

1.54 Support from, and increased coordination between, the Agency and host Governments, other United Nations agencies, non-governmental organizations and the refugees themselves (through their camp committees), contribute to the effective delivery of services by UNRWA.

1.55 Financial support from the United Nations organizations has been scaled down since 1995 mainly by a reduction in the number of international staff on loan from UNESCO and WHO from 29 posts to only four posts at a time when the Agency is increasingly unable to recruit and retain senior area professional managers at current pay rates.

1.56 The introduction of new programmes, such as English language and information technology courses, into school curricula, a change of textbooks and the introduction of expensive vaccines into the national immunization programmes place an additional burden on scarce UNRWA resources that must accommodate these unplanned activities. Additional unplanned expenditure results from sudden increases promulgated by host authorities in the cost of services, such as medical care, port charges or the cost of supplies, such as fuel.

1.57 Worsening socio-economic conditions and increased rates of unemployment in the Agency's area of operation contribute to school dropouts, increased demand on medical care services, compromised community participation and a breakdown in cost-sharing systems.

1.58 Restrictions imposed by host Governments on importation of medicines and food commodities result in disruption of services and additional expenditure.

1.59 Emergency situations, especially in the Gaza Strip and the West Bank, represent a threat to the sustainability and quality of UNRWA services and call for

recourse to emergency appeals, which may compete with the fund-raising for the regular budget.

1.60 Inadequate project funding for school construction and upgrading of camp infrastructure contributes to overcrowded schoolrooms, poor environmental health conditions and dilapidation of refugee shelters. All call for substantial investment in capital projects.

1.61 The current unrest in Gaza and the West Bank and the Israeli response to it has brought about new challenges and placed additional demands on UNRWA services in terms of emergency preparedness and response. The situation has also disrupted the Agency's ability to deliver its services and resulted in additional expenditure to counteract obstacles imposed by the Israeli authorities.

Programmes of work

1.62 The following chapters detail the programme of work for each of the substantive programmes and support services of UNRWA. The final chapter details the project budget.

Chapter II
Education programme

Mission

2.1 The mission of the Agency's education programme is to help Palestine refugee children and youth acquire the basic knowledge and skills needed to become productive members of their communities in accordance with their needs, identity and cultural heritage.

Structure

2.2 The Agency's education programme consists of four main subprogrammes: general education, technical and vocational education and training, teacher education and education planning and management. For planning and budgeting purposes, activities are broken down into eight main and subprogrammes as shown:

Table II.1
Structure of Agency's education programme

Main subprogramme	*Subprogramme activity*
General education	Elementary and preparatory education
	Secondary education (Lebanon)
Technical and vocational education and training	–
Teacher education (pre-service)	–
Education planning and management	In-service teacher education
	Placement and career guidance
	Programme management
	University scholarships (*being phased out*)

Objectives

2.3 Provision of general education for Palestine refugee children and youth at the elementary and preparatory levels, as well as at the secondary level, on a limited basis, in Lebanon only.

2.4 Provision of university-level pre-service teacher education for young Palestine refugees as well as in-service teacher education for UNRWA teachers to enable them to improve the quality of education in UNRWA schools.

2.5 Provision of vocational and technical education and training for young Palestine refugees to enable them to become productive citizens and contribute to the well-being of their communities.

2.6 Provision of job placement assistance for the graduates of the Agency's vocational training centres and enhancing career guidance and counselling services for the Agency's preparatory and secondary school students as well as vocational and technical graduates.

Programme activities

2.7 The Agency's education programme is the largest in UNRWA in terms of staff employed and the allocated financial resources. In the school year 2000/2001, the total number of staff employed for the activities of the programme stood at 16,171, representing approximately 70 per cent of the total staff of the Agency. During the school year 2000/2001, the Agency's education programme provided basic education for 477,216 pupils in the elementary, preparatory and secondary cycles, vocational and technical education for 4,704 trainees and pre-service teacher education for 1,530 students in the three education science faculties in the West Bank and Jordan fields and the teacher training section in Lebanon. In addition, 938 teaching and administrative staff were enrolled in the in-service teacher training programme. Table II.2 shows data on the Agency's education programme for the 2000/2001 school year.

Table II.2
Data on Agency's education programme for 2000/2001 school year

	Jordan	*Lebanon*	*Syrian Arab Republic*	*West Bank*	*Gaza Strip*	*Headquarters (A)*	*Total*
Elementary schools	62	35	60	25	122	-	304
Preparatory schools	128	36	50	70	46	-	330
Secondary schools	-	5	-	-	-	-	5
Total number of schools	**190**	**76**	**110**	**95**	**168**	**-**	**639**
Vocational training centres	2	1	1	3	1	-	8
Education science faculties and pre-service teacher education[a]	1	1	-	2	-	-	4

[a] The three education science faculties are located in Amman and in Ramallah-West Bank (men's and women's training centres), while the pre-service teacher training is located at the Siblin Training Centre, Lebanon.

2.8 UNRWA began providing education services for Palestine refugees in 1950. In 1953, representatives of Arab host countries, UNRWA and UNESCO agreed that the Agency's education programme should follow the education structure of the host Governments, including the curricula and textbooks. This provision was intended to

facilitate the movement of students between UNRWA and government schools, the entrance of UNRWA students to the secondary school level, which the Agency does not offer (except in Lebanon) and, consequently, to allow them to sit for government exams as a first step in pursuing higher education. Since 1993, and in view of the special situation of Palestine refugees in Lebanon, the Agency began to provide secondary education on a limited basis in the Lebanon field.

2.9 Based on an agreement signed between UNESCO and UNRWA in 1951, UNESCO assumed technical responsibility for the UNRWA education programme through the secondment of a number of technical and managerial staff on the basis of a non-reimbursable loan to the Agency. The 1959 agreement stipulated that UNESCO would provide UNRWA with 14 international posts, including the Director of Education. This level of support for the Agency's education programme was maintained until 1993. In 1994, the level of support began to diminish through a reduction in the number of UNESCO-funded posts from 14 to 10. In 1996, the number of posts was further reduced to four. Currently, UNESCO provides three international posts, including the Director of Education, and finances the salaries of four local posts. Also in 1994, UNESCO ceased its technical support for the UNRWA education programme, which covered the provision of scholarships, fellowships, equipment, consultants and audio-visual aids.

2.10 The Agency opened its first vocational training centre in Kalandia Camp near Jerusalem in 1953, and began a vocational education and training programme for Palestine refugees. In 1962 the Agency opened the first women's training centre in the Arab world and tailored courses to women's needs and cultural expectations. Today, the Agency operates eight such training centres (three in the West Bank, two in Jordan and one each in Gaza, the Syrian Arab Republic and Lebanon).

2.11 Since 1962, as a result of the growing needs in the Agency's area of operations, the Agency began providing teacher training services to upgrade the qualifications and competencies of its teachers. In 1964, the UNRWA/UNESCO Institute of Education was established to provide in-service and pre-service teacher training programmes, utilizing an integrated multimedia approach that influenced teacher-training efforts in many Arab countries.

2.12 Since the early 1960s, the Agency has made available placement services to the graduates of its training centres and pre-service teacher training programmes, as well as vocational guidance, to the students in its preparatory schools and in local authorities' secondary schools to facilitate the recruitment of trainees for its training centres.

2.13 The Agency has provided scholarships for outstanding Palestine refugees to pursue their higher education since 1955. Since 1997, owing to lack of financial resources, no regular budget allocations have been made for this programme. Funding is now available only through project contributions.

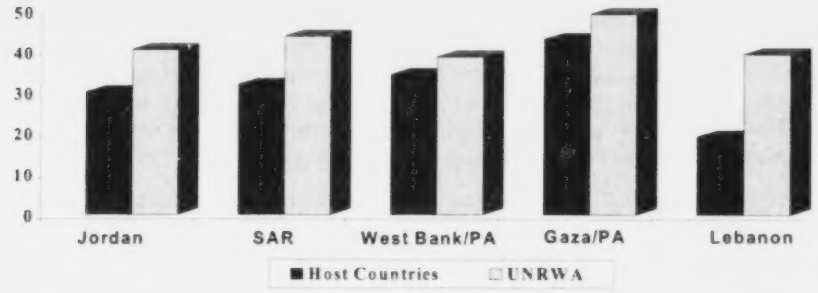
Constraints and challenges

2.14 There is a continuous increase in average classroom occupancy rates in UNRWA schools. The overall average classroom reached 43.5 pupils in the school year 2000/2001. This has negatively affected the quality of education by reducing the level of student-teacher interaction.

2.15 The large annual increase in the student population, insufficient funds for school construction, and at times non-availability of land on which to construct

school premises, have forced the Agency to adopt practices that have an adverse effect on students. The Agency, for instance, is renting buildings for use as schools that are lacking in basic facilities. In addition, the Agency currently operates 74 per cent of its schools on a double-shift basis, while about 17 per cent of the administrative schools are in unsuitable rented premises lacking proper educational conditions. The area per student in UNRWA schools ranges between 0.83-1.17 m^2, an average of 1 m^2 per student, which is low compared with UNESCO standards (1.40-1.50 m^2 per student).

Figure II.1
Classroom occupancy rates: Agency vs host country and Palestinian Authority schools



2.16 Operating schools on a double-shift basis reduces the time available to students in which to learn because it shortens the school day. It also hampers the provision of extracurricular activities, thus negatively affecting the integrated personality development of the pupils. Preliminary studies done by the Department of Education show that, in achievement tests, the performance of pupils in double-shift schools is inferior to that of pupils in single-shift schools.

2.17 The 1999 Area Staff Rules, under which new Agency employees are recruited at lower pay scales, have created workplace friction by virtue of the fact that teaching staff in the same school doing the same job receive unequal pay. This has lowered teacher morale, led to delays in filling vacant posts and posed a challenge to the retention of competent teaching staff.

2.18 As a result of the austerity measures introduced in 1993, the education programme continues to suffer from a lack of sorely needed support staff, such as school counsellors, librarians and school attendants. This situation has adverse effects on the quality of the education services provided, as the workload on teaching staff has considerably increased.

2.19 The increase in the number of schools operating on a double-shift basis and the limited financial resources for maintenance have resulted in a deterioration of physical facilities to such a level that many schools are in need of either demolition, reconstruction or comprehensive maintenance.

2.20 Similarly, owing to the overuse of the school furniture and equipment, especially in the double-shift schools, and the lack of funds to maintain them, the condition of some of the furniture is unsafe.

2.21 As a further consequence of the 1993 austerity measures, no new vocational training courses have been introduced except by securing project funding, or by making shifts within the existing courses, i.e., dropping courses from the curriculum in order to introduce new courses more suited to the labour market. This situation is preventing the Agency from introducing new courses in a systematic and pedagogically constructive manner to meet the growing demand for vocational and technical education in the local labour market and neighbouring Arab countries.

2.22 Since UNRWA follows the curricula of the host authorities, any developments in the educational system, curricula or textbooks must be implemented by UNRWA. In most cases, such activities require additional funds that have not been secured. Examples of such changes are:

(a) Extension of the preparatory cycle in the West Bank and Gaza from 9 to 10 grades; despite repeated requests by the Palestinian Authority, the Agency could not introduce this grade owing to budgetary constraints;

(b) New study plans introduced by the host countries or the Palestinian Authority, such as music and hobbies in Jordan and computer science for grades 7 to 9 in the West Bank, could not be completely adhered to because of a lack of funds.

Resource requirements

Table II.3
Education programme resource requirements by activity
(cash and in-kind, in thousands of United States dollars)

	1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
General education				
Elementary education	160 814	172 784	187 075	
Preparatory education	103 604	111 265	116 973	
Secondary education (Lebanon)	85	1 813	3 362	
Subtotal	**264 503**	**285 862**	**307 410**	**7.5**
Vocational and technical education	**25 065**	**26 205**	**27 278**	**4.1**
Pre-service teacher education	**1 958**	**2 267**	**2 199**	**-3.0**
Education planning and management				
In-service teacher education	821	1 829	1 811	
Placement and career guidance	101	140	150	
Programme management	9 943	12 068	12 473	
Subtotal	**10 865**	**14 037**	**14 434**	**2.8**
Total regular budget	**302 391**	**328 371**	**351 321**	**7.0**
Total project budget	**26 089**	**62 351**	**53 298**	

Table II.4

Education programme resource requirements by category of expenditure

(cash and in-kind, in thousands of United States dollars)

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	1 034	900	961	
	Local staff	284 227	301 696	320 261	
	Subtotal	**285 261**	**302 596**	**321 222**	**18 626**
Services	Travel	345	419	480	
	Communication	66	90	222	
	Transport services	63	71	35	
	Training	9	22	86	
	Miscellaneous services	1 406	327	347	
	Consultancy services	72	99	81	
	Subtotal	**1 961**	**1 028**	**1 251**	**223**
Supplies	Medical supplies	69	111	226	
	Transportation supplies	45	70	60	
	Clothing supplies	294	344	350	
	Textbooks and library books	4 714	8 211	10 989	
	Sport supplies	124	252	256	
	Fresh food	1 019	1 196	1 168	
	Miscellaneous supplies	3 315	3 706	4 005	
	Teaching supplies	243	479	477	
	Basic commodities	257	417	401	
	Subtotal	**10 080**	**14 786**	**17 932**	**3 146**
Equipment and construction	Computer hard/software	202	134	447	
	Equipment and furniture	1 213	505	1 071	
	Construction	208	220	456	
	Subtotal	**1 623**	**859**	**1 974**	**1 115**
Premises	Rental of premises	1 565	1 575	1 648	
	Utilities	1 824	1 842	2 077	
	Maintenance	0	4 701	5 040	
	Subtotal	**3 389**	**8 118**	**8 765**	**647**
Grant and subsidies		77	78	77	-1
Other	Reserves	0	906	100	
	Subtotal	**0**	**906**	**100**	**-806**
Total regular budget		**302 391**	**328 371**	**351 321**	**22 950**
Total project budget		**26 089**	**62 351**	**53 298**	

Budgetary comments

2.23 Table II.4 above indicates a resource growth in the education programme of $22.9 million (7.0 per cent) over 2000-2001 appropriations. This is explained as follows:

(a) An increase of $18.6 million in staff costs to the following:

(i) $14.3 million for 1,765 additional teaching posts needed to cope with the increased school population;

(ii) $1.8 million for 160 additional support posts, for example school supervisors and school counsellors;

(iii) $2.5 million annual salary increment costs for the education programme's 18,218 staff;

(b) An increase of $2.8 million in the cost of school textbooks due to the introduction of new curricula by the host authorities;

(c) An increase of $1.2 million for replacement of school furniture and equipment and additional minor construction and maintenance works;

(d) Other minor increases of $300,000 in miscellaneous supplies.

Chapter III
Health programme

Mission

3.1 The mission of the Agency's health programme is to protect, preserve and promote the health status of the registered Palestine refugees and to meet their basic health needs in a manner consistent with the basic principles and concepts of the World Health Organization and with the standards achieved by the public health sector in the Agency's area of operations.

Structure

3.2 Health is the second largest UNRWA programme: 18 per cent of the Agency's budget for the biennium 2002-2003 is allocated to the health programme. The 3,500 staff members employed in the programme in the year 2001 constitute 15 per cent of all Agency staff. Medical care services take up the largest share of health expenditure, approximately 72 per cent of the cash budget, most of which is in staff costs. The administrative costs of the health programme at headquarters and in the fields make up only 5.0 per cent of the total 2002-2003 regular budget.

3.3 Organizationally, the health programme comprises four main divisions: medical care services, disease prevention and control, family health and environmental health services. For budget and planning purposes, activities are broken down into 14 subprogrammes as shown in table III.1.

Table III.1
Structure of the health programme

Main activity	*Subprogramme activity*
Medical care services	Laboratory services
	Outpatient services
	Maternal and child health
	Disease prevention and control
	Physical rehabilitation
	Oral health
	School health
	Hospital services
Environmental health	Sewerage and drainage
	Solid waste management
	Water supply
	Special environmental health programme (Gaza)
Supplementary feeding	Supplementary feeding
Programme management	Programme management

Objectives

3.4 The main objectives of the Agency's health programme during the biennium 2002-2003 will be focused on the following:

(a) Preserving the sustainable investment achieved in primary health care by implementing appropriate intervention strategies with a high potential impact on health outcomes, especially in the areas of disease prevention and control and maternal and child health;

(b) Enhancing the process of institutional capacity-building in order to maximize system performance, improve service quality and increase efficiency and cost-effectiveness;

(c) Maintaining environmental health conditions in refugee camps compatible with the levels provided by local municipalities by implementing developmental projects to improve water, sewerage and drainage and solid waste disposal facilities;

(d) Harmonizing health policies and service standards with those of the host authorities in order to make optimal use of the scarce resources and to avoid incompatible priorities;

(e) Preventing breakdowns in service delivery, quality and sustainability by responding to emergency situations arising as a result of the Arab-Israeli conflict.

Programme activities

3.5 WHO assumes technical supervision of the health programme under the terms of an agreement signed between UNRWA and WHO in 1950. WHO seconds to UNRWA the Director of Health on a non-reimbursable loan basis and currently covers the cost of three area division chief posts at headquarters (A). The Director of Health advises the Commissioner-General of UNRWA and the Director of WHO/Eastern Mediterranean Regional Office (EMRO) on all policy, technical and operational aspects of the Agency's health programme.

3.6 The health programme maintains close collaborative links with ministries of health of the host Governments and the Palestinian Authority. Cooperation is focused on surveillance of communicable diseases, participation in national immunization campaigns, provision of vaccines for UNRWA, integration of environmental health projects into regional planning schemes, sharing of technical expertise and information, and joint participation on an ad hoc basis in health-related projects and training. Coordination on disease prevention and control is particularly emphasized owing to the possibility of disease transmission between the refugee population and national populations. Subject to availability of resources, the Agency strives to streamline health policies and service standards with those of public health systems to avoid duplication, overlap and incompatible priorities.

3.7 Primary health-care services are provided free of charge for Palestine refugee patients registered with UNRWA, to ensure full access to the range of preventive care services which reduce overall health costs. Refugees share health-care costs through co-payment towards secondary care, tertiary care, prosthetic devices, specialized medical investigations and non-programmed life-saving medicines.

Community participation in health is further evidenced by self-help projects for paving of pathways and drains in refugee camps, modest payments by refugee families for connection of shelters to sewerage and water systems installed in camps, and the variety of cash and in-kind contributions by the community of Qalqilia towards the Agency hospital there.

3.8 Primary health-care services are provided directly by UNRWA through the Agency's own network of facilities and employees. Except for Qalqilia Hospital, secondary care is provided through subsidies towards treatment in third-party hospitals, while certain environmental health services in refugee camps are also provided through contractual arrangements with local municipalities or private contractors.

Table III.2
UNRWA primary health-care facilities

	Jordan	*Lebanon*	*Syrian Arab Republic*	*West Bank*	*Gaza Strip*	*Total*
Primary health-care facilities	23	25	23	34	17	122
Services integrated within primary health-care facilities						
Dental care	17	17	13	21	14	82
Family planning	23	25	23	34	17	122
Non-communicable disease care	17	25	23	34	14	113
Specialist care	13	15	15	20	13	76
Laboratories	21	15	19	25	14	94
Physiotherapy	1	-	-	6	6	13
Maternity	-	-	-	-	6	6

3.9 UNRWA adopts an integrated approach to primary health care, seeking to provide a full range of preventive, curative and diagnostic services at each health centre. This approach facilitates accessibility to services, ensures continuity of care and reduces the inconvenience involved in referral of patients from one level of care to another. It is also the most cost-effective approach to health-care provision, because it allows maximum utilization of human and physical resources while minimizing overhead costs.

3.10 UNRWA provides environmental health services for over 1.2 million Palestine refugees residing in 59 refugee camps in the five fields of operations. These services are provided in close collaboration with local municipalities of host authorities. Refugees living outside camps share the facilities and services that are readily available to the resident population. The purpose of the environmental health programme is to minimize risks to human health and prevent environmental degradation by maintaining optimal sanitary conditions and improving basic environmental health facilities in refugee camps.

3.11 Owing to restrictions imposed on establishment of non-teaching posts during the last two budget cycles, arrangements were made to redeploy posts in the administrative support category and lower priority areas to the most needed posts at

the operational level. During the biennium 2000-2001, the Agency continued its efforts to achieve cost-efficiency gains mainly by redeployment of hospital beds from private to NGO hospitals at more competitive rates. In addition, the Agency contemplates the reduction of the recurrent costs associated with the labour-intensive system of garbage collection and disposal through mechanization of solid waste management in camps through project funds.

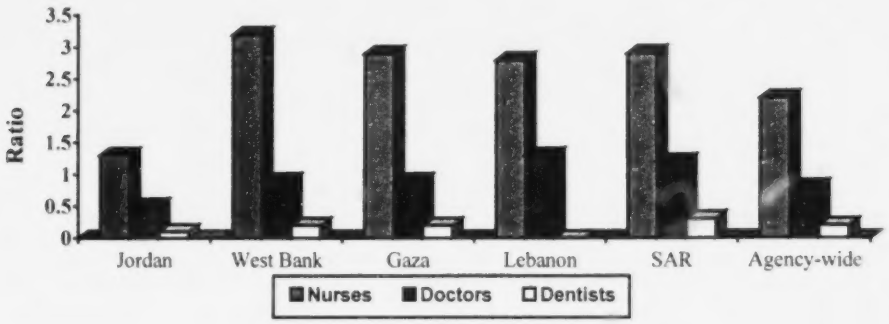
Constraints and challenges

3.12 Until 1964, 15 international posts were seconded from WHO on a non-reimbursable loan basis to UNRWA. In 1964, the number was reduced to seven posts. Owing to the financial difficulties of both organizations, the modalities of implementation of the 1950 agreement were amended as per a memorandum of understanding signed in 1995, according to which the number of posts was reduced to two, namely the posts of the Director of Health and the Deputy. WHO has kept recruitment for the latter in abeyance since then. Furthermore, WHO/EMRO diverted the annual allocation of $100,000 for fellowships to the Ministry of Health of the Palestinian Authority. This reduction in the level of technical and financial assistance rendered UNRWA increasingly unable to recruit or retain senior professional managers at its modest pay levels. In addition, the Agency could not sponsor fellowships for career progression and future replacement needs from its own resources, which placed additional constraints on programme management.

3.13 Owing to financial constraints, the per capita budget allocation on health during the biennium 2000-2001 was $14.55 per annum. Taking the allocations on environmental health services and food aid separately, the net per capita allocation on the full range of preventive and curative medical care services, both at the primary and secondary levels, was $9.30 per year. According to the *World Health Report 2000*,[1] these allocations are far below public expenditure on health by countries in the Agency's area of operations and compare with public expenditure in the world's least developed countries. Notwithstanding the fact that the UNRWA health programme has been considered by the World Bank to be very cost-effective, such limited budgetary allocations make it difficult to keep pace with recent advances in medical technology, such as the introduction of new vaccines and screening for cancers.

3.14 The imbalance between the ever-increasing needs of and demands on UNRWA health services, on the one hand and the limited resources allocated to the programme, on the other, has been aggravated by the continuation of the freeze on recruitment and establishment of new posts over the last two budget cycles. This has undermined efforts to improve the organization and management of services at the delivery level as the overall health personnel/population ratios remained as low as 0.8 doctors and 2.2 nurses per 10,000 population. The corresponding rates are 13.8 doctors and 19.7 nurses/midwives per 10,000 in the Syrian Arab Republic and 16.6 doctors and 30 nurses/midwives per 10,000 population in Jordan.

Figure III.1
Ratio of health staff per 10,000 refugee population



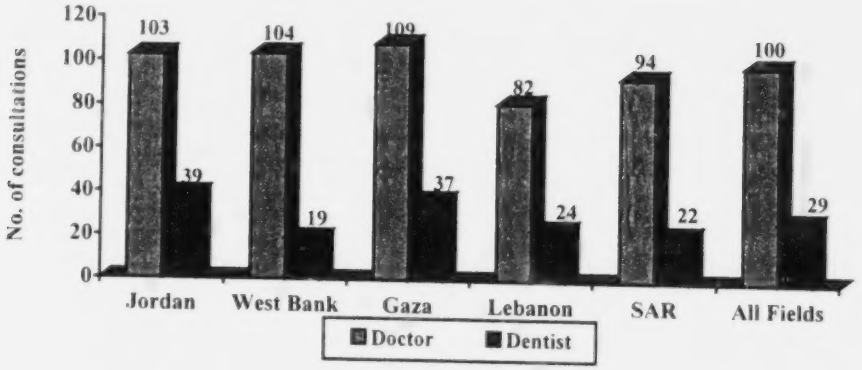
3.15 The gap between the disease burden and the capacity of the system to detect and manage new groups of patients suffering from non-communicable diseases often associated with an unhealthy lifestyle and decreased life expectancy, such as diabetes mellitus, cardiovascular diseases and cancers, is widening year after year. While the strategic orientation of the programme advocates active surveillance and management of these diseases ahead of the need to meet the high cost of treating their complications and disabling effects, this approach has not been matched by a concomitant increase in resources in terms of staff, diagnostic facilities and supplies.

3.16 In spite of the marked progress which was attained under the Peace Implementation Programme launched by the Agency in October 1993, the restrictions imposed on preventive maintenance of premises and procurement of equipment have adversely affected the physical conditions of several primary health-care facilities. Substantial project funding needs to be secured to replace, rehabilitate and upgrade these facilities.

3.17 The workload at UNRWA health centres continued to be heavy with an Agency-wide average of 100 consultations per medical officer per day, and on average as high as 109 and 104 in the Gaza and West Bank fields, respectively. Not only do these heavy workloads reduce doctor-patient contact time, but they have also adversely affected the quality of care provided for patients. Furthermore, they continue to be the main obstacles to implementing effective appointment systems in general clinics in spite of the efforts exerted in this respect.

3.18 The long-desired objective of reducing the average number of consultations to not more than 70 per medical officer per day could not be pursued because of funding shortfalls and a recruitment freeze. Little progress towards improvement of the quality of care should be expected if this imbalance between needs and resources cannot be corrected.

Figure III.2
Average daily clinical workloads during 2000



3.19 The approved budget provisions under the General Fund continued to be disproportionate to the need to provide adequate assistance towards essential hospital services, especially in the Lebanon field. The Agency planned to cover the deficit through extrabudgetary contributions, but progress in this respect has been very limited. Likewise, the budget allocations for hospitalization in Jordan continued to be disproportionate to the need. Thus, assistance was limited to reimbursement of part of the costs incurred for treatment of emergency conditions at government hospitals and to subsidies for delivery related to high-risk pregnancies. A stable and predictable level of funding needs to be secured to prevent the undesirable health and political consequences of a failure to sustain hospital services, at least at the current level.

3.20 Poor environmental health conditions continue to pose a threat to health in many refugee camps. In spite of the progress made in constructing internal sewerage schemes and connecting camps to main municipal sewers over the last few years, 17 out of 58 refugee camps Agency-wide are still not connected to proper sewerage systems and are still served by surface drains. Inadequate surface water drainage in some camps produces stagnant pools where mosquitoes and other disease-carrying vectors breed, increasing the prevalence of vector-borne diseases. Badly maintained open drains often become substitutes for proper waste disposal facilities, with the dumping of garbage posing an obvious threat to health and the environment. In camps where no appropriate sewerage systems exist, effluent empties into adjacent fields often used for cultivation of vegetable crops, which increases the risk of disease transmission. Other threats arising from improper drainage include flooding and landslides causing damage to shelters built on marginal land.

3.21 The unrest in the Gaza Strip and the West Bank which erupted during the last quarter of the year 2000 and the Israeli response to it have brought about new challenges and placed additional demands on the health-care system in terms of emergency preparedness and response, while simultaneously struggling to maintain regular programme activities, and preserving the sustainable investment achieved in maternal and child health care, family planning and disease prevention and control.

Resource requirements

Table III.3
Health programme resource requirements by activity
(cash and in-kind, in thousands of United States dollars)

Activity		*1998-1999 expenditure*	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
Medical care services	Laboratory services	2 636	3 254	3 995	
	Outpatient services	41 194	36 323	41 818	
	Maternal and child health	3 552	4 738	4 960	
	Disease prevention and control	0	6 168	8 806	
	Physical rehabilitation	0	1 306	1 342	
	Oral health	3 147	3 256	4 000	
	School health	754	944	877	
	Hospital services	15 301	15 237	20 089	
	Subtotal	**66 584**	**71 226**	**85 887**	**20.6**
Environmental health	Sewerage and drainage	259	256	248	
	Solid waste management	16 035	18 392	16 459	
	Water supply	1 006	1 138	1 244	
	Special environmental health programme	985	1 211	929	
	Subtotal	**18 285**	**20 997**	**18 880**	**-10.1**
Supplementary feeding		**8 466**	**9 057**	**8 727**	**-3.6**
Programme management		**5 217**	**6 421**	**6 079**	**-5.3**
Total regular budget		**98 552**	**107 701**	**119 573**	**11.0**
Total project budget		**16 118**	**29 263**	**26 597**	

Table III.4

Health programme resource requirements by category of expenditure

(cash and in-kind, in thousands of United States dollars)

Category		*1998-1999 expenditure*	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	662	645	388	
	Local staff	56 699	61 398	64 634	
	Subtotal	**57 361**	**62 043**	**65 022**	**2 979**
Services	Travel	122	171	145	
	Communication	82	116	132	
	Transport services	37	35	36	
	Training	81	171	136	
	Miscellaneous services	2 029	2 258	2 373	
	Consultancy services	184	199	200	
	Hospital services	12 110	11 628	16 469	
	Subtotal	**14 645**	**14 578**	**19 491**	**4 913**
Supplies	Medical supplies	12 594	15 150	19 083	
	Transportation supplies	208	242	398	
	Clothing supplies	143	198	194	
	Library books	10	18	15	
	Fresh food	84	90	102	
	Miscellaneous supplies	749	1 044	1 051	
	Basic commodities	8 292	8 999	8 732	
	Subtotal	**22 080**	**25 741**	**29 575**	**3 834**
Equipment and construction	Computer hard/software	19	80	27	
	Equipment and furniture	713	655	945	
	Construction	530	60	92	
	Subtotal	**1 262**	**795**	**1 064**	**269**
Premises	Rental of premises	249	225	222	
	Utilities	561	635	645	
	Maintenance	0	722	804	
	Subtotal	**810**	**1 582**	**1 671**	**89**
Grants and subsidies		**2 394**	**2 755**	**2 619**	**-136**
Other	Reserves	0	209	131	
	Subtotal	**0**	**209**	**131**	**-78**
Total regular budget		**98 552**	**107 703**	**119 573**	**11 870**
Total project budget		**16 118**	**29 263**	**26 597**	

Budgetary comments

3.22 Tables III.3 and III.4 indicate a resource growth in the health programme of $11.9 million (11.0 per cent) over 2000-2001 appropriations. This increase is attributed to the following cost factors:

(a) A net increase of $ 3.0 million in staff costs resulting from the following:

(i) $1.4 million for 128 additional health staff posts to cope with the heavy load represented by the high ratio of patient/doctor visits. Currently, the average is 100 patient visits per doctor per day;

(ii) $1.9 million annual increment costs;

(iii) A savings of $300,000 arising from the conversion of the P-5 international post of Chief, Special Environmental Health Programme, in Gaza to a local post;

(b) An increase of $4.9 million in hospitalization services due to the following:

(i) $3.6 million to accommodate in the regular budget this service in the Lebanon field, previously funded by unsustainable project funds;

(ii) A $1.3 million increase in other fields ($400,000 for the Gaza, Jordan and West Bank fields each, and $100,000 for the Syrian Arab Republic);

(c) An increase of $ 4.0 million in medical supplies due to the following:

(i) $1.3 million due to price increases;

(ii) $700,000 due to an increase in patient visits;

(iii) A $2 million increase in in-kind donations of medical supplies.

Chapter IV
Relief and social services programme

Mission

4.1 The mission of the Agency's relief and social services programme is to provide the most disadvantaged Palestine refugees with humanitarian assistance, and to promote the self-reliance of less advantaged members of the refugee community, such as women, youth and the physically challenged. The Department also serves as the custodian of the historical records of some 4 million Palestine refugees.

Structure

4.2 The relief and social services programme is composed of two main programmes: relief services, consisting of four main subprogrammes, and social services, consisting of five main subprogrammes. Programme management constitutes a separate programme area. These are shown in table IV.1.

Table IV.1
Structure of Relief and Social Services Department

Main activity	*Subprogramme activity*
Relief Services Division	Food support for special hardship case families
	Shelter rehabilitation
	Selective cash assistance
	Eligibility and registration
Social Services Division	Organizational development of community-based organizations
	Women in development
	Disability programme
	Youth activities
	Poverty alleviation programme
Programme management	Programme management

4.3 Staffing for the activities of the Relief and social services programme for the 2000-2001 biennium stands at 527 employees, representing 2.7 per cent of the total number of UNRWA employees. Of this, the single largest category (41 per cent) of staff is comprised of social workers, through whom the bulk of the direct relief and social services are administered on the ground. Approximately 10 per cent of the Agency's general budget is allocated to the programme, with the majority of the resources directed towards the food support subprogramme.

Objectives

4.4 Relief and social services is one of the Agency's three core programmes, complementing the social development role played by the Health and Education Departments. While the Programme's *raison d'être* since its inception has been the provision of direct humanitarian assistance, its scope has widened since 1989 to include a long-term developmental approach that targets the most vulnerable within the refugee community. These are most often individuals or families without sufficient access to employment or educational opportunities, information or capital resources. Most of the programme's developmental activities are carried out through 135 community-based and community-run organizations in the camps, and most of the clients benefiting from the various humanitarian assistance subprogrammes (the special hardship case families) also fall within the roughly one third (31 per cent) of the overall refugee population still living within the borders of the 59 official camps.

4.5 While the programme is the smallest within the Agency in terms of budget allocation and staffing, its objectives continue to focus on the ever-growing short- and long-term humanitarian needs within the refugee community. Specifically, relief and social services will concentrate its efforts on the following goals:

(a) Providing the neediest eligible families with basic subsistence support (seeking to maintain the value of food assistance to the 5.6 per cent of the refugee population enrolled in the special hardship assistance programme at $115 per person/per annum);

(b) Improving the housing conditions of special hardship families;

(c) Assisting families with small-scale emergency needs during a family-specific economic or humanitarian crisis;

(d) Strengthening the institutional capacity of community organizations in the camps to better serve the needs and rights of the physically/mentally challenged, youth and women;

(e) Preserving the historical records of the registered refugees. This will involve the scanning and digital storage of an estimated 25 million documents housed in 341,000 "family files" in the five fields of UNRWA operation;

(f) Updating monthly and maintaining daily the content of the computerized registration records of approximately 4 million refugees; spearheading the implementation of the redesign of the refugee registration information system, to achieve a higher level of accuracy, dependability and validity as well as online data manipulation capabilities for the refugee records;

(g) Maintaining the capacity to respond to large-scale emergencies, with a special focus on the long-term programmatic implications of the 2000/2001 intifada in the West Bank and Gaza Strip on the demand for relief and social services;

(h) Maximizing the use of limited resources through increased operational efficiencies, inter-agency and interdepartmental cooperation, ongoing consultation with host authorities, programmatic, funding and professional collaboration with local and international NGOs and various cost-sharing and self-help mechanisms.

Programme activities

4.6 As of December 2000, 54,499 families were being assisted on a quarterly basis by the food support and cash subsidy "safety net". This number will grow by 3.5 per cent each year in the new biennium, in recognition of the increasing numbers of refugees living below the poverty line. Food will continue to be distributed through the 63 Agency centres. Current and past patterns indicate that almost 75 per cent of food support will continue to be directed to three categories of clientele: families without an adult medically fit to earn an income (35.2 per cent), the elderly who can no longer support themselves (24.8 per cent) and families headed by a female who is widowed or abandoned by her husband (13.6 per cent). Some families, after careful assessment and screening by social workers, will receive one-time "selective cash assistance" during an emergency on an "as needed" basis and/or upgrading of their shelters through repair or reconstruction. Priority, as before, will be given to special hardship case families and shelters that are unsafe or unhygienic. Funding levels do not generally permit reconstruction or expansion of shelters simply because they are overcrowded.

4.7 At the developmental level, increased opportunity will be given for families to improve their shelter conditions through use of a self-help approach. The 134 community-based organizations will also continue to contribute to the development of the surrounding refugee communities. More than 76,000 individuals, primarily women, youth and the physically or mentally challenged, are participating in the various services, skills training and awareness-building activities of these organizations, with an estimated 350,000 persons benefiting indirectly. This number is not expected to increase in the biennium 2002-2003, as funding does not currently facilitate the expansion of these organizations.

4.8 In addition to the continuation of the general programmatic activities, the following specific actions will be taken:

(a) Increasing the level of project funding through completion or updating of proposals and active cooperation with external relations to solicit donor support. Priority funding is sought for: (a) the redesign of the refugee registration information system and integration of the system with the family files archiving project as that is achieved, (b) shelter rehabilitation, both for the ongoing urgent needs as well as the special Neirab rehabilitation project in Aleppo, Syrian Arab Republic, and (c) investment in the "human capital" of the relief and social services programme through the provision of more systematic and upgraded in-service training;

(b) Implementing the findings of the programme's strategic planning process to date, as staffing, time, and funding allow (key elements: vision, mission, underlying principles, key capabilities, updated strategies);

(c) Strengthening operations as outlined in the programme management section;

(d) Rectifying understaffing, particularly of social workers;

(e) Monitoring the impact of the intifada and searching for ways to counteract its repercussions on the relief and social service staff or operations in the West Bank and Gaza Strip;

(f) Increasing the use of the self-help approach to shelter rehabilitation, based on pilot projects in Gaza, Lebanon and Jordan.

4.9 The outbreak of the intifada in the West Bank and Gaza Strip in the last quarter of 2000 has highlighted the responsibility of relief and social services for organizing and delivering on-the-ground emergency aid to those most affected by the crisis. While this primarily involves food distribution to large numbers of families (both refugee and non-refugee, as appropriate), other forms of assistance are provided to the extent permitted by donor contributions. Continued necessity for this type of assistance in 2002-2003 will depend on the status of the political and socio-economic situation in the West Bank and Gaza Strip as well as donor support for extrabudgetary measures that need to be taken.

Constraints and challenges

4.10 Diminishing financial resources have led to steadily decreasing services for the refugees in the face of rising poverty and population growth, and have also necessitated a degree of core programme modification that has heightened the Agency's dependence on project funding. While project funds provide a very welcome source of income, such funding may be sporadic, thereby hampering the ability of the programme to formulate viable long-term goals. For example, while staffing is available to administer the special hardship programme, no shelter rehabilitation for eligible special hardship families can be accomplished unless project funds are received. In 2000, an estimated $10 million was needed to address the most urgent housing needs; only one third of that amount was received.

4.11 The deteriorating economic situation in the West Bank and Gaza since the onset of the intifada has meant that many clients can no longer afford to pay fees for courses or otherwise share in the costs of services. This has had negative consequences on the income levels of the women's programme centres, undercutting their ability to work towards financial sustainability and offer the same range of activities as previously.

4.12 Fluctuating currency rates may unexpectedly reduce the level of resources available to a subprogramme. For example, each special hardship beneficiary received $8 instead of the expected $10 cash subsidy during the last quarter of 2000 owing to the drop in the value of the euro in relation to the dollar. No Agency funds were available to cover the gap and it is unlikely any will be available in the future for similar occurrences.

4.13 Staffing is a concern, whether with regard to the physical and emotional safety of employees (especially those in the West Bank and Gaza), social workers with caseloads significantly above the Agency norm or the replacement of senior field and headquarters staff who are retiring. The adjusted salary scale implemented in 1999 is not competitive in local job markets and it has therefore become increasingly difficult for the Agency to hire and retain skilled personnel. It is not unusual for staff to have to do the work of two employees to compensate for staff shortages. It is feared that current trends will lead to further erosion of staff quality, which will in turn impede the ability to effectively deliver programme services.

Resource requirements

Table IV.2

Relief and social services programme resource requirements by activity

(cash and in-kind, in thousands of United States dollars)

Activity	*1998-1999 expenditure*	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
Relief services				
Special hardship assistance	43 423	51 759	57 618	
Eligibility and registration	2 108	2 144	2 474	
Subtotal	**45 531**	**53 903**	**60 092**	**11.5**
Social services				
Organizational development of community-based organizations	395	1 112	1 041	
Women in development	1 300	1 263	1 156	
Disability programme	1 425	1 654	1 798	
Youth activities	235	277	289	
Poverty alleviation	1 076	1 320	1 267	
Subtotal	**4 431**	**5 626**	**5 551**	**-1.3**
Programme management	**6 735**	**2 913**	**2 895**	**-0.6**
Total regular budget	**56 697**	**62 442**	**68 538**	**9.8**
Total project budget	**7 718**	**24 424**	**26 463**	

Table IV.3

Relief and social services programme resource requirements by category of expenditure

(cash and in-kind, in thousands of United States dollars)

Category		*1998-1999 expenditure*	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	566	636	650	
	Local staff	11 008	12 068	12 815	
	Subtotal	**11 574**	**12 704**	**13 465**	**761**
Services	Travel	132	171	173	
	Communication	11	33	30	
	Transport services	13	18	17	
	Training	58	134	143	
	Miscellaneous services	355	404	403	
	Consultancy services	20	72	77	
	Subtotal	**589**	**832**	**843**	**11**
Supplies	Clothing supplies	30	16	14	
	Library books	6	14	11	
	Fresh food	3	6	5	
	Miscellaneous supplies	542	286	304	
	Basic commodities	24 414	27 503	31 720	
	Subtotal	**24 995**	**27 825**	**32 054**	**4 229**
Equipment and construction	Computer hard/software	87	66	111	
	Equipment and furniture	122	93	115	
	Construction	893	137	41	
	Subtotal	**1 102**	**296**	**267**	**-29**
Premises	Rental of premises	198	234	223	
	Utilities	26	34	33	
	Maintenance	0	244	323	
	Subtotal	**224**	**512**	**579**	**67**
Subsidies	Construction subsidies	1 423	1 061	964	
	Other subsidies	16 790	19 092	20 276	
	Subtotal	**18 213**	**20 153**	**21 240**	**1 087**
Other	Reserves	0	120	90	
	Subtotal	**0**	**120**	**90**	**-30**
Total regular budget		**56 697**	**62 442**	**68 538**	**6 096**
Total project budget		**7 718**	**24 424**	**26 463**	

Budgetary comments

4.14 Tables IV.2 and IV.3 indicate a resource growth in the relief and social services programme of $6.1 million (9.8 per cent) over 2000-2001 appropriations. This increase is explained as follows:

(a) An increase of $4.2 million in basic commodities (received in kind) due to an increase in the number of special hardship cases eligible for food subsidy from 208,850 to 223,725 persons;

(b) An increase of $1.2 million in the cash subsidy in lieu of food commodities due to the increase in the number of special hardship cases;

(c) An increase of $700,000 in local staff costs for 44 additional social worker posts needed to handle the increased load of special hardship cases.

Chapter V
Microfinance and microenterprise programme

Mission

5.1 The mission of the microfinance and microenterprise programme is to improve the quality of life of small and microentrepreneurs, sustain jobs, decrease unemployment and provide income-generating opportunities for poor men and women through the provision of credit.

Structure

5.2 For planning and budgeting purposes, activities of the microfinance and microenterprise programme are divided into the following six subprogrammes:

(a) Small-scale enterprise credit;

(b) Small and microenterprise training (Gaza);

(c) Microenterprise credit;

(d) Solidarity-group lending (Gaza);

(e) Consumer lending (Gaza);

(f) Programme management.

5.3 An Advisory Board composed of senior Agency management and two technical experts (one local and one international) provide assessments, guidance and recommendations for the programme, and a firm of external auditors assists the Agency in monitoring the programme's compliance with these best practice standards.

Objectives

5.4 The microfinance and microenterprise programme strives to maintain the best practices of the microfinance industry by adhering to the standards established for the industry by such institutions as the Consultative Group for Assistance to the Poor, the United States Agency for International Development, the Microfinance Network, Calmeadow Foundation and Accion International. The programme attempts to achieve international standards of efficiency and outreach in a way that provides cost-effective services for clients in a sustainable manner. Though conditioned by the political and economic situation in the West Bank and Gaza, where the microfinance and microenterprise programme is focused, including a protracted economic decline during the intifada, the Agency continues to pursue its objective of programme development and expansion.

5.5 The small and microenterprise training component of the microfinance and microenterprise programme endeavours to meet the emerging standards for business training and business development services. It covers all the direct costs of training from participants' fees and meets its overhead and administrative costs from donor contributions.

Constraints and challenges

5.6 The level of risk to the programme's portfolio is rising as a result of clients becoming delinquent and defaulting on loans owing to the collapse of their markets.

5.7 As the demand for credit has declined, so too has the productivity of the programme's credit extension agents. Thus, it will take some time at the end of the crisis to rebuild staff morale, productivity and efficiency.

5.8 During the intifada, interest income from lending has declined as demand for credit dropped to 60 per cent of the pre-September 2000 level, while the value of lending fell to only 40 per cent of the previous level. Thus, income flows into the programme dropped while costs have remained constant, resulting in the programme not fully covering its cost for the first time since 1998.

5.9 The programme will have to utilize retained earnings from the previous year to ensure that the programme meets its operational costs in 2001.

5.10 The salary scale created under the 1999 Staff Rules is unappealing; it is almost impossible to attract good quality external candidates for posts of grade 13 or above.

5.11 Developing a regional model for microfinance services that will allow the programme to gradually expand into the Agency's other areas of operation and to deliver microenterprise credit in a cost-effective and self-sufficient manner, whereby the programme will continue to cover the full cost of operations from credit-generated income.

5.12 Ensuring that the programme's stakeholders are fully informed and aware of the institutional issues and changes necessary to expand and develop the programme, and that they are fully engaged and committed to them.

5.13 Developing an international/regional network of branch offices and sub-offices that have fully integrated account management and information management systems.

5.14 Refining and restructuring the current organization of programme management to match the requirements of regionalization and branch offices.

5.15 Moving beyond the test-phase of consumer-lending in Gaza, to develop a new consumer-loan product with a unified methodology that has general applicability to the socio-economic conditions of poor Palestine refugees throughout the region.

5.16 Maintaining the human resource capacity and developing the programme's human capital in times of austerity.

5.17 Developing an in-house training capacity to ensure quality control and an understanding of job functions among credit extension staff and supervisors.

5.18 Identifying, subcontracting or developing a new management information system capable of integrating and unifying the accounting, loan tracking and reporting needs of a regional programme.

Financial resources

Table V.1
Microfinance and microenterprise programme resource requirements by activity
(in thousands of United States dollars)

	1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
Total recurrent projects[a]	**2 973**	**3 515**	**5 066**	**44.1**
Total unfunded projects[b]	**1 462**	**4 018**	**4 479**	

[a] The recurrent portion of the programme's budget funded from the programme's own credit activities.
[b] Additional project funding required to expand the capital base of the microenterprise credit and small-scale enterprise programmes and for small and microenterprise training activities.

Table V.2
Microfinance and microenterprise programme resource requirements by category of expenditure
(in thousands of United States dollars)

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	294	297	309	
	Local staff	1 990	2 715	3 971	
	Subtotal	**2 284**	**3 012**	**4 280**	**1 268**
Services	Travel	30	48	64	
	Communication	17	20	76	
	Transport services	9	18	41	
	Training	57	36	50	
	Miscellaneous services	281	40	81	
	Consultancy services	24	50	72	
	Subtotal	**418**	**212**	**384**	**172**
Supplies	Transportation supplies	4	18	36	
	Library books	1	2	4	
	Miscellaneous supplies	23	56	84	
	Subtotal	**28**	**76**	**124**	**48**

		1998-1999 expenditure	2000-2001 appropriation	2002-2003 estimates	Increase 2002-2003 over 2000-2001
Equipment	Computer hard/software	11	12	31	
	Equipment and furniture	18	9	33	
	Construction	3	0		
	Subtotal	**32**	**21**	**64**	**43**
Premises	Rental of premises	202	154	166	
	Utilities	9	14	12	
	Maintenance		26	36	
	Subtotal	**211**	**194**	**214**	**20**
Total recurrent projects[a]		**2 973**	**3 515**	**5 066**	**1 551**
Total unfunded projects[b]		**1 462**	**4 018**	**4 479**	

[a] The recurrent portion of the programme's budget funded from the programme's own credit activities.
[b] Additional project funding required to expand the capital base of the microenterprise credit and small-scale enterprise programmes and for small and microenterprise training activities.

Budgetary comments

5.19 The programme is self-supporting as its running costs are funded by the interest income generated through its lending activities. Income generated is in the region of $2.5 million annually.

5.20 The capital needed for the loans is entirely received from special donor contributions for this purpose.

Chapter VI
Operational and technical services

Mission

6.1 The mission of the Agency's operational and technical services is to enhance and create synergy in the functions of the Agency's information systems and its procurement, logistics and construction and engineering services. It is also to direct these services to achieve the best results in terms of efficiency, reliability, and timeliness, hence contributing to the mandate of UNRWA in providing humanitarian assistance for Palestine refugees.

Objectives

6.2 The objective of the Agency's operational and technical services is to enhance the activities of, and provide support for, the user departments. Operational and technical services will introduce and maintain effective and efficient deployment of information technology support services with better and more reliable access to information and affordable modern information systems technology and a telecommunications infrastructure, and will maintain and improve a cost-effective, reliable, timely procurement, logistical and engineering/design/construction functions at a high standard.

Structure

6.3 For planning and budgeting purposes, the operational and technical services activities are broken down into the following three subprogrammes:

(a) Procurement and logistics;

(b) Information systems;

(c) Engineering and construction services.

Planned activities

6.4 The operational and technical services will procure goods, carry out engineering and construction services and prepare designs, technical instructions and procedures. It will utilize existing information systems, and implement rationalized upgrading of information technology applications and infrastructure within the Agency.

6.5 The operational and technical services will also maintain and manage the inventory of a wide range of goods, including basic commodities, stationery, equipment, computer hardware and software, medical supplies and an extensive variety of general supplies for Agency programmes, administration and management.

6.6 The operational and technical services will manage the Agency's vehicle fleet, including procurement of vehicles and spare parts, provision of logistical services for the transport of staff and goods within and among the fields, procurement and

maintenance of the inventory of spare parts and running workshops for vehicle maintenance within the Agency, and run distribution centres for basic food commodities.

6.7 The operational and technical services will act as the instrument and backbone for introducing, maintaining and modernization of information technology in UNRWA. It will deploy systems and telecommunications infrastructure to enhance user communications facilities and access to information within real time and at reasonable cost. It will also undertake systems development and project implementation in the information technology area, including establishment, provision and updating of hardware, software and telecommunications standards and related instructions of acquisition, distribution, maintenance and support.

6.8 Proper and effective training programmes will be carried out to ensure that staff possess the necessary skills to manage and deliver the required services. The operational and technical services will also review its human resource needs to better serve users.

Constraints and challenges

6.9 A major challenge facing the operational technical services of the Agency is improving user access to information Agency-wide in terms of scope of information accessed, number of staff with access rights, security, speed and reliability of access. The major vehicles for carrying out this task are the local area networks (LANs) and the satellite wide area network (SWAN) infrastructure. These vehicles will need continuous streamlining and improvements, particularly in view of the recent reforms in finance and payroll, resulting in an expansion of information technology services, hence requiring substantial acquisition of the information technology infrastructure, hardware and software. These needs cannot be readily met from the Agency's General Fund.

6.10 Another major challenge is to deliver good quality services and goods at a reasonable cost by enhancing competitiveness, stabilizing prices and improving sourcing and pre-qualification of suppliers as well as follow-up and contract administration activities. The Agency's increasing difficulty in retaining and recruiting trained staff as a result of the 1999 Area Staff pay scales will limit the Agency's ability to stay abreast of new operational and technical developments, and will negatively affect institutional expertise.

6.11 Owing to shortfalls in the General Fund budget, the Agency had no choice but to resort to a maintenance mode for the existing infrastructure and applications in the information technology domain, structures and vehicles and equipment. Much of the Agency's information technology infrastructure has not been updated to match the level of increase in the demand for information technology services. Likewise, the conditions of premises and structures have deteriorated to such an extent that replacement is warranted earlier than normal, resulting in higher total costs. In addition, replacement of vehicles has not been carried out in accordance with the established guidelines within the Agency. This situation has resulted in higher maintenance costs for the existing fleet of vehicles and equipment, and has required that the budget for replacement of vehicles be substantially increased in the 2002-2003 budget.

6.12 An important constraint that is out of the Agency's control is the prevailing political situation in West Bank and Gaza. If the crisis continues, not only will it impede the Agency's ability to deliver certain services on time but it will also increase the cost of delivery of those services.

6.13 The delivery of Agency services is negatively impacted by having to operate under differing host Government rules and regulations. This has often resulted in higher costs to the Agency in order to meet certain local specifications or regulations. These varying regulations promulgated by the host countries often compromise movement of goods, people, supplies and delivery times.

Resource requirements

Table VI.1
Operational and technical service resource requirements by activity
(cash and in-kind, in thousands of United States dollars)

	1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
Procurement and logistics services	18 433	24 531	27 192	10.8
Engineering and construction services	9 810	5 929	6 386	7.7
Information systems	3 827	5 327	5 361	0.6
Management	0	0	496	
Total regular budget	**32 070**	**35 787**	**39 435**	**10.2**
Total project budget	**2 039**	**503**	**300**	

Table VI.2

Operational and technical service resource requirements by category of expenditure

(cash and in-kind, in thousands of United States dollars)

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	5 959	5 386	5 680	
	Local staff	17 759	18 507	19 104	
	Subtotal	**23 718**	**23 893**	**24 784**	**891**
Services	Travel	206	311	395	
	Communication	27	76	722	
	Transport services	1 807	2 779	2 600	
	Training	54	162	241	
	Miscellaneous services	5 036	1 955	1 347	
	Consultancy services	144	218	364	
	Subtotal	**7 274**	**5 501**	**5 669**	**168**
Supplies	Medical supplies	-267	0	0	
	Transportation supplies	1 006	1 691	2 243	
	Clothing supplies	-99	16	17	
	Textbooks and library books	8	27	39	
	Miscellaneous supplies	-23	579	533	
	Basic commodities	-2 052	0	0	
	Subtotal	**-1 427**	**2 313**	**2 832**	**519**
Equipment and construction	Computer hard/software	677	1 068	1 145	
	Equipment and furniture	165	413	601	
	Transport equipment	1 120	1 304	2 978	
	Construction	407	44	94	
	Subtotal	**2 369**	**2 829**	**4 818**	**1 989**
Premises	Rental of premises	39	62	59	
	Utilities	94	97	123	
	Maintenance	0	592	632	
	Subtotal	**133**	**751**	**814**	**63**
Subsidies		**3**	**0**	**0**	**0**
Other	Reserves	0	500	518	
	Subtotal	**0**	**500**	**518**	**18**
Total regular budget		**32 070**	**35 787**	**39 435**	**3 648**
Total project budget		**2 039**	**503**	**300**	**(203)**

Budgetary comments

6.14 Tables VI.1 and VI.2 show a resource growth of $3.6 million in operational and technical services (10.2 per cent) over 2000-2001 appropriations. This growth is attributed to the following:

(a) An increase of $1.7 million in transport equipment to replace 109 old vehicles long overdue for replacement. The Agency's fleet consists of 762 vehicles;

(b) An increase of $900,000 in staff costs due to the following:

(i) $400,000 for the establishment of the office of the Director of Operational and Technical Services;

(ii) $500,000 annual increment costs;

(c) An increase of $500,000 in transport supplies due to increase in fuel prices;

(d) An increase of $900,000 in communications equipment and services due to the installation of the Satellite Wide Area Network (SWAN);

(e) A decrease of $400,000 in transport and other services due to recovery of costs from donors and users.

Chapter VII
Common services

Mission

7.1 The mission of the Agency's common services is to secure the highest standards of efficiency, competence and integrity in carrying out the UNRWA humanitarian mandate deriving from the relevant General Assembly resolutions, in providing leadership for the Agency's programmes and fields, and in managing the Agency's human and financial resources.

Structure

7.2 The work of common services comprises overall Agency management and policy guidance, legal advice, fund-raising, public information and liaison, financial and human resources management, and audit and inspection. Common services are distinct from the UNRWA operational services, which stem directly from programme activities in the five fields, in that they facilitate management decision-making and Agency administration, and provide the Agency's link to the international community. For planning and budgeting purposes, common services activities are broken down into the following nine offices:

(a) Office of the Commissioner-General;

(b) Legal services;

(c) Audit and inspection;

(d) External relations;

(e) Public information;

(f) Policy analysis;

(g) New York and Geneva liaison offices;

(h) Administration and human resources;

(i) Financial services.

7.3 The detailed plans of work for these offices are outlined in the following pages.

Constraints and challenges

7.4 As is the case with Agency programmes, resource constraints pose an obstacle to the capacity of the Agency's common services to recruit and retain qualified personnel. Recent trends reveal an increased rate of separation from UNRWA by both international and area staff who move to other multinational organizations with higher pay scales.

7.5 Unrest in the West Bank and Gaza presents a continuing direct and indirect cost to the Agency. Fee collection on Agency humanitarian goods and restrictions on the movement of area staff within the West Bank and Gaza have resulted in financial

losses. The Agency has already suffered considerable delays in its implementation of the new payroll and financial management system as a partial consequence of the situation. Strife in these areas also complicates efforts to recruit staff.

Resource requirements

Table VII.1
Common services resource requirements by activity
(cash and in-kind, in thousands of United States dollars)

	1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Percentage increase 2002-2003 over 2000-2001*
General management				
Office of the Commissioner-General	2 596	2 689	2 330	
Legal services	1 773	2 421	2 549	
Audit services	1 676	1 800	1 877	
External relations	1 826	2 034	2 236	
Public information	973	1 493	1 554	
Policy analysis unit	597	940	1 317	
New York liaison office	629	620	636	
Administration and human resources	27 168	29 958	35 466	
Financial services	6 085	7 025	8 938	
Total regular budget (excl. reserves)	**43 323**	**48 980**	**56 903**	**16.2**
General reserves				
Working capital requirements		14 000	14 000	
Salary increase requirements		12 000	15 000	
Contingency reserve		2 000	2 000	
Subtotal	**0**	**28 000**	**31 000**	
Total regular budget	**43 323**	**76 980**	**87 903**	
Total project budget	**391**	**300**	**706**	

Table VII.2

Common services resource requirements by category of expenditure

(cash and in-kind, in thousands of United States dollars)

		1998-1999 expenditure	*2000-2001 appropriation*	*2002-2003 estimates*	*Increase 2002-2003 over 2000-2001*
Staff	International staff	17 850	18 969	21 783	
	Local staff	17 651	19 994	23 478	
	Subtotal	**35 501**	**38 963**	**45 261**	**6 298**
Services	Travel	647	1 282	1 057	
	Communication	1 776	1 558	1 371	
	Transport services	167	194	23	
	Training	127	368	1 373	
	Miscellaneous services	1 572	1 933	2 407	
	Consultancy services	327	519	481	
	Subtotal	**4 616**	**5 854**	**6 712**	**858**
Supplies	Transportation supplies	31	31	30	
	Clothing supplies	17	16	14	
	Library books	32	51	58	
	Miscellaneous supplies	764	951	1 030	
	Supplies for public information office	21	12	7	
	Subtotal	**865**	**1 061**	**1 139**	**78**
Equipment and construction	Computer Hard/software	360	161	354	
	Equipment and furniture	411	382	587	
	Construction	272	-10	7	
	Subtotal	**1 043**	**533**	**948**	**415**
Premises	Rental of premises	485	633	503	
	Utilities	786	882	897	
	Maintenance		960	1 022	
	Subtotal	**1 271**	**2 475**	**2 422**	**-53**
Grants and subsidies		**27**	**85**	**85**	**0**
Other	Reserves	0	28 009	31 336	
	Subtotal	**0**	**28 009**	**31 336**	**3 327**
Total regular budget		**43 323**	**76 980**	**87 903**	**10 923**
Total project budget		**391**	**300**	**706**	

Budgetary comments

7.6 Tables VII.1 and VII.2 show a resource growth of $7.9 million in common services (16.2 per cent) over 2000-2001 appropriations. This growth is attributed to the following:

(a) An increase of $2.8 million in international staff costs broken down as follows:

(i) $1.8 million for an additional seven posts required to cope with the increased volume of work and changing circumstances in the Agency's area of operations;

(ii) $1.0 million in standard costs for international staff posts;

(b) An increase of $3.4 million in local staff costs:

(i) $1.2 million for annual increment costs for local staff and other post allowances, for example, the senior professional officer allowance;

(ii) Inclusion of $2.2 million under this support service for temporary assistance. This amount will eventually be charged to the programmes in the course of the biennium;

(c) The inclusion of a training reserve of $1.0 million for minimum staff training requirements;

(d) An increase of $400,000 for replacement of unserviceable equipment and upgrading of computer equipment;

(e) The inclusion of $300,000 for operational reserves (allocable eventually to programmes) under common services.

Notes

[1] World Health Organization, *World Health Report 2000*, Annex table 8: selected national health accounts indicators for all Member States, estimates for 1997 (Geneva, 2000).